DOCKET

No. 07-1437
Title: Carlsbad Technology, Inc., Petitioner
v.
HIF Bio, Inc., et al.
Docketed: May 20, 2008
Lower Ct: United States Court of Appeals for the Federal Circuit
Case Nos.: (2006-1522)
Decision Date: November 13, 2007
Rehearing Denied: February 8, 2008
Questions Presented

~~Date~~	~~~~~~~~Proceedings and Orders~~~~~~~~~~~~~~~~~~~~~~~~~~
Jan 22 2008	Record received from the U.S.D.C. for the Central District of California. (2 boxes)
May 8 2008	Petition for a writ of certiorari filed. (Response due June 19, 2008)
Jun 20 2008	Order extending time to file response to petition to and including July 18, 2008.
Jul 22 2008	Waiver of right of respondent HIF Bio, Inc., et al. to respond filed.
Jul 30 2008	DISTRIBUTED for Conference of September 29, 2008.
Aug 8 2008	Response Requested . (Due September 8, 2008)
Sep 8 2008	Brief of respondents HIF Bio, Inc., et al. in opposition filed.
Sep 17 2008	Reply of petitioner Carlsbad Technology, Inc. filed.
Sep 24 2008	DISTRIBUTED for Conference of October 10, 2008.
Oct 14 2008	Petition GRANTED.
Nov 6 2008	Motion to dispense with printing the joint appendix filed by petitioner Carlsbad Technology, Inc.
Nov 19 2008	The time within which to file the joint appendix and petitioner's brief on the merits is extended to and including December 8, 2008.
Dec 1 2008	Motion to dispense with printing the joint appendix filed by petitioner GRANTED.
Dec 8 2008	SET FOR ARGUMENT ON Tueday, February 24, 2009.
Dec 8 2008	Brief of petitioner Carlsbad Technology, Inc. filed.
Jan 6 2009	The time within which to file respondents' brief on the merits is extended to and including January 8, 2009.
Jan 8 2009	Brief of respondents HIF Bio, Inc., et al. filed.
Jan 9 2009	CIRCULATED.
Jan 15 2009	Record received from the U.S.C.A. for the Federal Circuit. (1 box)
Feb 6 2009	Reply of petitioner Carlsbad Technology, Inc. filed. (Distributed)
Feb 24 2009	Argued. For petitioner: Glenn W. Rhodes, San Francisco, Cal. For respondents: Theodore S. Allison, Washington, D.C.

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PETITION FOR WRIT OF CERTIORARI

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No. 07-

In the Supreme Court of the United States

CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO., LTD.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), this Court held that district courts could remand removed claims upon deciding not to exercise supplemental jurisdiction under 28 U.S.C. § 1367(c). However, in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411, 2416 (2007), the Court stated that "it is far from clear . . . that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" and noted that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)."

Construing *Powerex* as leaving the question open, the Federal Circuit held that a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction, thus disagreeing with the nine other federal courts of appeals that have construed *Cohill* as distinguishing between remands for lack of subject matter jurisdiction and remands based on declining to exercise subject matter jurisdiction that already exists. Thus, this petition presents the question posed but left unanswered in *Powerex* that is now the subject of a direct conflict among the circuits:

1. Whether a district court's order remanding a case to state court following its discretionary decision to decline to exercise the supplemental jurisdiction accorded to federal courts under 28 U.S.C. § 1367(c) is properly held to be a remand for a "lack of subject matter jurisdiction" under 28 U.S.C. § 1447(c) so that such remand order is barred from any appellate review by 28 U.S.C. § 1447(d).

PARTIES TO THE PROCEEDING

Pursuant to Supreme Court Rule 14.1(b), petitioner states that all parties to the proceeding in the court of appeals appear in the caption of the case on the cover page.

In addition to the parties listed in the caption, the following parties were defendants in the district court but did not participate in the underlying appeal to the Federal Circuit and thus are believed to have no interest at the present time in the outcome of this petition: Yung Shin Pharmaceuticals Industrial Co., Ltd. (doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co., Ltd.); Yung Zip Chemical Co., Ltd., Fang-Yu Lee, Che-Ming Teng; Fish and Richardson, P.C., and Y. Rocky Tsao.

RULE 29.6 STATEMENT

Petitioner states that all of its parent companies and any publicly-held companies that own 10% or more of petitioner's stock are as follows: Yung Shin Pharmaceuticals Industrial Co., Ltd.; YSP USA Investment Co., Ltd.; YSP International, Co., Ltd.

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In the Supreme Court of the United States

No. 07-___

CARLSBAD TECHNOLOGY, INC.,
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v.

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Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioner Carlsbad Technology, Inc. ("Petitioner" or "CTI") respectfully petitions for a writ of certiorari to review the decision of the United States Court of Appeals for the Federal Circuit dismissing for lack of appellate jurisdiction CTI's appeal from the district court's decision remanding this case to state court.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-20a) is reported at 508 F.3d 659 (Fed. Cir. 2007). The order of the court of appeals denying petitioner's combined petition for rehearing and for rehearing en banc (App. 35a-37a) is unreported. The opinion of the district court (App. 21a-34a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on November 13, 2007. App. 3a. A timely combined petition for rehearing and for rehearing en banc was denied on February 8, 2008. App. 35a-37a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1367 provides in pertinent part:

> (a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action in which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. . . .
>
> * * *
>
> (c) The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if—
>
> (1) the claim raises a novel or complex issue of State law,
>
> (2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction,
>
> (3) the district court has dismissed all claims over which it has original jurisdiction, or

(4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

* * *

28 U.S.C. § 1447(c) provides in pertinent part: "A motion to remand the case on the basis of any defect other than lack of subject matter jurisdiction must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded."

28 U.S.C. § 1447(d) provides: "An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise, except that an order remanding a case to the State court from which it was removed pursuant to section 1443 of this title shall be reviewable by appeal or otherwise."

STATEMENT OF THE CASE

1. This case arises out of a dispute over rights to an alleged invention for using a chemical compound (YC-1) for anti-angiogenic, anti-cancer applications. App. 5a-7a. YC-1 itself is not protected by U.S. patent, and is available from various suppliers. App. 22a. Generally, respondents assert, based on rights assigned by Jong-Wan Park and Yang-Sook Chun, that they hold all rights with respect to the alleged invention and application of YC-1 as an anti-cancer, anti-angiogenesis agent, including several U.S. patent applications. App. 22a-25a. Respondents further allege that, in violation of those rights, CTI agreed to work with the other defendants to develop, commercialize, sell and market YC-1 and its ana-

logues for similar purposes, including filing separate applications for U.S. patents naming different inventors. App. 5a-7a; App. 22a-24a.

In September 2005, respondents filed a complaint in California state court which, as later amended, alleged twelve causes of action. App. 38a-170a. Two sought declaratory judgments with respect to ownership and inventorship of the alleged invention. App. 25a; App.109a-111a. A third cause of action asserted RICO violations under 18 U.S.C. §§ 1961-68. App. 112a-138a. The other nine causes of action were related state law claims alleging slander, conversion, actual and constructive fraud, intentional and negligent interference with contractual relations and prospective economic advantage, breach of implied contract, unfair competition and fraudulent business practices, unjust enrichment, and constructive trust. App. 25a; App. 139a-151a. Respondents sought, *inter alia*, a permanent injunction restraining the defendants from representing themselves as inventors of the alleged invention, and damages of not less than $284 million dollars plus attorneys' fees. App. 25a; App. 151a-155a.

It is undisputed that all asserted claims "form part of the same case or controversy" for purposes of § 1367(a) and "derive from a common nucleus of operative fact." *See United Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966). Based in part on the federal RICO claim, the case was timely and properly removed to federal district court. App. 7a.

2. After removal, CTI moved to dismiss the amended complaint on grounds that the district court lacked subject matter jurisdiction and because respondents failed to state a claim upon which relief may be granted. App. 25a. As a preliminary matter,

the district court stated that it "declines to exercise supplemental jurisdiction over the state claims in the [the "first amended complaint"]. The [complaint] contains twelve causes of action, eleven of which are state claims. The state claims clearly predominate over the federal RICO claim. The preponderance of state law issues means that a state court is the proper venue to try the state law claims." App. 28a. Hence, the district court viewed each asserted claim except for the RICO claim as arising under state law.

The district court later explained why it concluded that the two declaratory judgment claims were not within its federal jurisdiction. The court held that respondents were seeking declaratory judgment on the issue of inventorship under state common law. App. 29a-30a (citing *Bohlman v. American Paper*, 53 F. Supp. 794 (D.N.J. 1944)). On that basis, the court held that rights of inventorship and ownership of inventions were valid state law claims. App. 30a. Thus, the court concluded that it did not have jurisdiction over the first two causes of action and that those causes should be remanded along with the other nine asserted claims. App. 30a.

Finally, the district court dismissed the federal RICO claim for failure to state a claim. App. 31a-33a. Having declined supplemental jurisdiction over the inventorship and ownership claims and over the other nine asserted claims, the district court then remanded all of the non-RICO claims to the state court. App. 34a.

3. CTI appealed, asserting that the remanded claims necessarily depended upon resolution of a substantial question of federal law. First, CTI argued that the asserted inventorship claim presented an issue of federal patent law and that the asserted

state common law inventorship rights cited by the district court had been preempted. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). CTI also asserted that the federal inventorship issue permeated the other state law claims, such that each also necessarily depended upon a substantial question of federal law. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). Indeed, under Federal Circuit precedent following *Christianson*, such state law causes of action are exclusively for the federal courts and could not have been remanded. See *Hunter Douglas, Inc. v. Harmonic Design*, 153 F.3d 1318, 1328-29 (Fed. Cir. 1998). Moreover, because the PTO had not yet resolved any inventorship or patentability issues concerning the alleged invention, CTI asserted that the non-RICO causes of action could not yet be adjudicated and thus could only have been dismissed.

In its jurisdictional statement, CTI's opening appeal brief cited *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 712-15 (1996), as establishing that the district court's remand order was appealable as a final decision. App. 18a. CTI also cited *Snodgrass v. Provident Life & Accident Ins. Co.*, 147 F.3d 1163, 1165-66 (9th Cir. 1998), to show that there was appellate jurisdiction to review a remand based on declining jurisdiction under the Declaratory Judgment Act. App. 18a n.4. Respondents' brief agreed that the district court "had subject jurisdiction over pendent state claims under 28 U.S.C. § 1367." However, without discussing *Quackenbush* or *Snodgrass* (or citing any cases), respondents merely quoted § 1447(d) as stating that "[a]n order remanding a case to State court from which it was removed is not reviewable on appeal or otherwise."

During the June 2007 oral argument, the Federal Circuit panel did not question its own jurisdiction or whether § 1447(d) applied to this case. Instead, the court of appeals only asked whether its review should be *de novo* or for an abuse of discretion, an inquiry wholly inconsistent with any perceived absence of appellate jurisdiction. Two weeks after the argument, this Court issued its decision in *Powerex*, which the Federal Circuit presumably discovered and analyzed on its own without seeking supplemental briefing. On November 13, 2007, the Federal Circuit issued its opinion holding that § 1447(d) barred any review of the district court's remand order. App. 1a-20a.

4. The Federal Circuit recognized that this Court has "interpreted § 1447(d) to cover less than its words alone suggest." App. 11a (citing *Powerex*, 127 S. Ct. at 2415). Citing the series of this Court's decisions addressing § 1447(d) beginning with *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976), the Federal Circuit noted that the jurisdictional bar against reviewing remand orders is limited by § 1447(c). App. 11a-12a (citing, *inter alia*, *Osborn v. Haley*, 127 S. Ct. 881 (2007)).

The Federal Circuit conceded that the district court's remand order was based on declining supplemental jurisdiction. App. 13a, 14a. Accepting (without reviewing) the district court's holding that the inventorship and the ownership of inventions were "valid state law claims," the Federal Circuit agreed that the district court had federal question jurisdiction over the alleged RICO claim and that the RICO claim by itself provided sufficient basis for the district court to exercise supplemental jurisdiction

under § 1367 even though the RICO claim had been dismissed. App. 13a-14a & n.2.

Admittedly deciding "an issue of first impression" in that court, the Federal Circuit posed the issue before it as being "whether a remand based on declining supplemental jurisdiction under § 1367(c) is within the class of remands described in § 1447(c), and thus barred from appellate review by § 1447(d)." App. 14a-15a. Upon undertaking to answer that question, the court of appeals first decided that it was not bound by any controlling precedent in light of this Court's statements in *Powerex* that "it is far from clear . . . that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" and that "[w]e have not passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of the post-1988 versions of § 1447(c) and § 1447(d). App. 15a-18a (citing 127 S. Ct. at 2419-19 & n.4).

The Federal Circuit recognized that "several other Courts of Appeals" had relied on *Cohill* in holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1995) (listing decisions from eight other federal circuit courts)). In other words, the "several other courts of appeals" described by the Federal Circuit as being a "trend" amounted to a full nine of the other twelve circuits, and they had unanimously held that remands after a discretionary decision to decline jurisdiction did not

implicate the bar on appellate review in § 1447(d).[1] App. 16a.

In *Cohill*, this Court held that district courts have discretion to remand a removed case involving pendant claims rather than being required to dismiss it upon deciding not to retain jurisdiction over the case. 484 U.S. at 357. In a footnote, this Court stated "[s]ection 1447(c) do[es] not apply to cases over which a federal court has pendent jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all." 484 U.S. at 355 n.11. As the Federal Circuit itself explained, the other circuit courts have cited that footnote as support when subsequently holding that remands based on declining supplemental jurisdiction are not within the class of remands described in § 1447(c) and are not subject to the jurisdiction bar of § 1447(d). App. 16a.

The Federal Circuit, however, cited this Court's statement in *Powerex* that "[i]t is far from clear . . . that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)." App. 17a (citing 127 S. Ct. at 2418-19). Because this Court in *Powerex* had also cited Justice Kennedy's concurrence in *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 130 (1995), and drew attention to the 1988 statutory amendments, the Federal Circuit viewed this Court as considering the

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[1] As of the Third Circuit's *McCandless* decision in 1995, only the D.C., First, and Second Circuits had not yet specifically addressed the issue. Since that time, it does not appear that any of those three circuits have directly addressed the issue in the context of § 1367(c) remands.

question to still be open and as also undercutting the persuasive force of the decisions of the other courts of appeals. App. 17a-18a.

In a footnote, the Federal Circuit observed that, before 1988, § 1447(c) had contemplated remands only where the jurisdictional flaw existed prior to removal and thus, at least from a temporal perspective, § 1367(c) remands under the post-1988 version are now potentially within the class of remands described in § 1447(c). App. 17a n.3. Although that distinction is wholly inapplicable to this case, the Federal Circuit did not otherwise compare the pre-1988 and post-1988 versions of § 1447(c) and § 1447(d). Moreover, the court did not further analyze *Cohill* and did not undertake to address or analyze any decision from the other nine circuits that have interpreted *Cohill* to reach the opposite result on the identical issue.

The Federal Circuit then rejected CTI's reliance on this Court's decision in *Quackenbush* as supporting jurisdiction to review discretionary remands under § 1367(c). App. 18a-19a. In *Quackenbush*, this Court held that § 1447(d) did not bar appellate review of abstention-based remand orders. 517 U.S. at 711-12. While the Federal Circuit conceded that the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and that both are discretionary doctrines that allow a district court to decline jurisdiction, the Federal Circuit discerned "a fundamental difference" between remands based on abstention and those based on declining supplemental jurisdiction. App. 18a-19a.

According to the Federal Circuit, "a court 'abstains' from hearing claims over which it has an *independent*

basis of subject matter jurisdiction, whether it be federal question jurisdiction or diversity jurisdiction." App. 19a (emphasis in original). Absent such "independent" jurisdiction, however, the Federal Circuit reasoned that a remand after a district court exercises its discretion to decline supplemental jurisdiction can, for purposes of *Powerex*, be characterized as being "colorably" based on a lack of subject matter jurisdiction and thus barred by § 1447(d). See App. 18a (citing 127 S. Ct. at 2418).

In the Federal Circuit's view, a court declining supplemental jurisdiction is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction. App. 19a. From those premises, the court held that "because every § 1367(c) remand necessarily involves a predicate finding that the [state law] claims lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction. App. 20a. Thus, the Federal Circuit expressly disagreed with the nine other federal circuit courts that had already decided that very same issue, and became the first to hold that review of a remand order based on declining supplemental jurisdiction under § 1367(c) is barred by § 1447(d).

REASONS FOR GRANTING THE PETITION

The Federal Circuit's decision has created a direct conflict among the circuits over whether a district court's discretionary decision to decline supplemental jurisdiction under 28 U.S.C. § 1367(c) after dismissing all federal claims constitutes a remand for lack of subject matter jurisdiction for purposes of triggering

the statutory bar on appellate review in 28 U.S.C. § 1447(d). This Court's recent statement in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007), that "[i]t is far from clear . . . that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of [28 U.S.C.] § 1447(c) and § 1447(d)" posed the question presented by this case, but neither suggested nor predetermined its outcome.

Similarly, this Court's related observation in *Powerex* that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d)" should not have been construed as signaling this Court's disagreement with the nine circuits that had uniformly held—both before and after 1988—that such remands are not jurisdictional and are not barred from appellate review by § 1447(d). In contrast to the Federal Circuit here, the Third and Eleventh Circuits had each previously concluded that nothing in the subsequent statutory amendments in 1988 or in 1996 had any effect on the scope of remands authorized by § 1447(c) or on the limits on § 1447(d) established by this Court in *Thermtron*.

More importantly, this Court's statements in *Powerex* should not have authorized the Federal Circuit to disregard this Court's reasoning in *Cohill* or its post-1988 progeny demonstrating that a remand pursuant to § 1367(c) is a discretionary decision declining to exercise expressly authorized jurisdiction rather than a holding that the federal district court lacks the jurisdictional power to decide the remanded claims. Nevertheless, without analyzing *Cohill*, or the decisions of the other nine courts of

appeals that interpreted *Cohill* to support the opposite result on the identical issue, the Federal Circuit held that every § 1367(c) remand necessarily involves a predicate finding that the state law claims lack an "independent" basis of subject matter jurisdiction. App. 20a. That conclusion is fundamentally flawed for at least two critical reasons.

First, the Federal Circuit erred in holding that there must be an "independent" basis of subject matter jurisdiction before a court's discretionary decision to decline such jurisdiction falls outside § 1447(c) and thus outside the jurisdictional bar of § 1447(d). Even as stated in *Powerex*, the governing test is whether the remand in question was colorably based on a "lack of subject-matter jurisdiction." Nowhere does (nor should) that test require that the jurisdiction be "original" or stem from an "independent" basis such as federal question or diversity jurisdiction. Indeed, the whole point of § 1367 is to confer subject matter jurisdiction on federal courts to decide state law claims that derive from the same case or controversy as any claim for which the federal court has original jurisdiction. *See City of Chicago v. Int'l College of Surgeons*, 522 U.S. 156, 167 (1997).

Second, the Federal Circuit erred in disregarding that the existence of subject matter jurisdiction, whether under §§ 1331, 1332, or 1367, is entirely distinct from any subsequent exercise of the discretionary authority allowing courts to relinquish or decline that jurisdiction. The former concerns a court's *power* to decide a case or controversy; the latter only implicates a court's discretion to decline any subject matter jurisdiction that it already has. Absent subject matter jurisdiction, there is no such discretion to be exercised. Thus, only a remand on

the former ground is based on a lack of subject matter jurisdiction while a remand following the latter exercise of discretion is not colorably based on a lack of subject matter jurisdiction at all.

The Federal Circuit's *sua sponte* decision to dismiss Petitioner's appeal for lack of appellate jurisdiction not only incorrectly construes this Court's § 1447(d) precedents, but it improperly authorizes remands of causes of action exclusively within federal jurisdiction to state courts and admittedly conflicts directly with every other federal appellate court to address this issue. As set forth herein, this Court should grant this petition, reverse the Federal Circuit's legal analysis and dismissal, and instruct that court to decide CTI's appeal on the merits.

I. A COURT'S DISCRETIONARY DECISION TO DECLINE SUPPLEMENTAL JURISDICTION IS NOT COLORABLY BASED ON A LACK OF SUBJECT MATTER JURISDICTION

It is settled that the jurisdictional bar to appellate review of remand orders in § 1447(d) applies only to the reasons for remand that are enumerated in § 1447(c). *See Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 711-12 (1996) ("[O]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)."); *Things Remembered, Inc. v. Perarca*, 516 U.S. 124, 127-28 (1995). The only reasons for remand enumerated in § 1447(c) are defects in removal procedure and lack of subject matter jurisdiction. Thus, as reiterated in *Powerex*, absent any defect in the removal procedures, "the remand is immunized from review only if it was

based on a lack of subject-matter jurisdiction." See 127 S. Ct. at 2416.

As the Federal Circuit itself pointed out, at least nine other circuits have relied on this Court's decision in *Cohill* in holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1965)). While the Federal Circuit relied on this Court's recent statements in *Powerex* as indicating that the question remains an open question in this Court, particularly under the post-1988 version of the relevant statutes, the Federal Circuit never discussed this Court's reasoning in *Cohill* that properly compelled the other circuits' contrary holdings under both the pre- and post-1988 versions of those statutes.

In *Cohill*, after all federal claims in a removed case had been dismissed, the district court remanded the pendent state-law claims to the state court. 484 U.S. at 345-47. The defendant argued that the district court had no authority to remand, only to dismiss. However, this Court disagreed, expressly holding that district courts have discretion to remand "a removed case involving pendent claims upon a proper determination that retaining jurisdiction over the case would be inappropriate." *Id.* at 357.

In reaching that conclusion, this Court's analysis in *Cohill* began with its prior holding in *Gibbs*, 383 U.S. 715, "that a federal court has jurisdiction over an entire action, including state law claims," whenever the federal and state claims derive from a common nucleus of operative fact. 484 U.S. at 349. Under *Gibbs* , federal courts have "a wide-ranging power" to decide state-law claims in cases that also present

federal questions. 484 U.S. at 349. Notably, this Court in *Cohill* pointed out that *Gibbs* distinguished between the power of a federal court to hear state-law claims and the discretionary exercise of that power. 484 U.S. at 349-50. Because the state law claims were clearly within the federal court's jurisdiction, the issue in *Cohill* was thus posed as being whether the court could "relinquish jurisdiction" only by dismissing without prejudice or could remand to the state court as well. *Id.* at 351.

In its oft-cited footnote, this Court in *Cohill* explained that "§ 1447(c) . . . do[es] not apply to cases over which a federal court has pendant jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all." 484 U.S. at 355 n.11. The Federal Circuit quoted that same footnote, and conceded that it formed the basis for the holdings by the other courts of appeals that a remand order based on declining supplemental jurisdiction is not within the class of remands in § 1447(c). App. 15a-16a. However, the Federal Circuit sidestepped undertaking any further analysis by declaring that *Powerex* had undercut the persuasive force of those decisions by reopening whether § 1367(c) remands are barred from appellate review under §§ 1447(c) and (d). App. 16a-18a.

This Court's caution in *Powerex* that it had not yet addressed the specific question presented here is a far cry from a holding that every other court of appeals to address the issue had reached the wrong result. The key holdings encompassed within this Court's multiple cited decisions that were either ignored or misapprehended by the Federal Circuit included repeated instances where this Court (1)

expressly distinguished a court's power to hear claims from its separate discretion not to exercise such power, and (2) repeatedly recognized that a district court has the discretionary option to relinquish or decline jurisdiction. Clearly, if a federal court lacked subject matter jurisdiction, there would be no power to exercise and no jurisdiction to relinquish. On their face, therefore, this Court's decisions in *Cohill*, *Gibbs*, and *Quackenbush* should have confirmed that whatever a federal court does after obtaining subject matter jurisdiction, including declining to exercise it, does not stem from or result in a *lack* of such jurisdiction.

Not surprisingly, the Third Circuit's decision in *McCandless* and the decisions of all of the other courts of appeals cited therein expressly rely on that critical distinction. *See, e.g.*, *McCandless*, 50 F.3d at 224 ("The district court's decision was neither for a defect in the removal procedure nor for lack of district court jurisdiction, but rather was based on an exercise of the district court's discretion to decline to exercise supplemental jurisdiction."); *Jamison v. Wiley*, 14 F.3d 222, 233 (4th Cir. 1994) ("[T]he district court was remanding not because it believed it lacked jurisdiction over the removed action, but because it thought it had the discretion to decline to exercise that jurisdiction."); *In re Glass, Molders, Pottery, Plastics & Allied Workers Int'l Union*, 983 F.2d 725, 727 (6th Cir. 1993) ("Such remand was discretionary with the court; it did not stem from lack of subject matter jurisdiction over the remaining claims."); *In re Surinam Airlines Holding Co.*, 974 F.2d 1255, 1257 (11th Cir. 1992) ("A remand order pursuant to § 1367(c) is not premised on § 1447(c) because it is a discretionary decision declining the exercise of *expressly acknowledged jurisdiction*.").

Had the Federal Circuit properly examined *Cohill*, and the decisions of the other courts of appeals uniformly adhering to its reasoning, the Federal Circuit should have realized that the distinction between a court's power to hear a case and its discretion to decline to exercise such power is both clear and completely unaffected by the post-*Cohill* amendments to § 1447(c) and § 1447(d). Hence, the Federal Circuit's "post-*Powerex*" analysis of this issue should not have reached a different outcome than those previously reached by every other federal court of appeals to decide that same issue. On the basis of that circuit conflict alone, this petition should be granted.

II. THE 1988 AND 1996 AMENDMENTS TO § 1447(c) DID NOT AFFECT THE SCOPE OF REMAND ORDERS FOR WHICH APPELLATE REVIEW IS BARRED BY § 1447(d)

In a footnote, the Federal Circuit offered its only basis for reaching a different outcome under the post-1988 version of § 1447(c) than under the pre-1988 version. Pointing out that the pre-1988 version of the statute "only contemplated remands where the jurisdictional flaw existed prior to removal," the Federal Circuit suggested that *Cohill* remands "arguably would not have been within the ambit of [the pre-1988 version of] § 1447(c)." App. 17a n.3. However, that circular analysis improperly assumes the erroneous conclusion that a district court's decision to decline supplemental jurisdiction under § 1367(c) constitutes a "jurisdictional flaw." App. 17a n.3. Hence, the Federal Circuit's assumption that the 1998 amendments to § 1447(c) operated to undercut the persuasive force of *Cohill* on temporal grounds,

i.e., that a jurisdictional flaw can now arise under § 1447(c) at any time before final judgment, is wholly unjustified.

If a discretionary decision to decline jurisdiction does not represent a lack of jurisdiction, it is neither a jurisdictional flaw nor one of the reasons for remand specified in § 1447(c). For that reason, the Federal Circuit's only offered basis for attempting to discern a different result under the post-1988 version of § 1447(c) than under the pre-1988 version of § 1447(c) is without any textual or logical support. Indeed, although apparently not uncovered by the Federal Circuit, the Eleventh Circuit in *Snapper, Inc. v. Redan*, 171 F.3d 1249 (11th Cir. 1999), had exhaustively traced the history and evolution of § 1447(c) and § 1447(d), and concluded that the 1988 and 1996 amendments to the statute had absolutely no effect on the scope of the appellate review bar in § 1447(d) first announced by this Court in *Thermtron*.

As ultimately finalized, the 1948 version of § 1447(c) provided, in relevant part: "If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case . . . ." See *Snapper*, 171 F.3d at 1254. As chronicled by the Eleventh Circuit, judicial decisions under the 1948 versions of § 1447(c) and § 1447(d) uniformly held that a remand based on a forum selection clause, on abstention, or on declining supplemental jurisdiction did not implicate a removal defect, did not stem from an "improvident" removal, was not a remand based on a ground specified in § 1447(c), and therefore was not a remand insulated from appellate review by § 1447(d). See *Snapper*, 171 F.3d at 1255 & nn.8-10 (and cases cited).

Because the term "improvidently" in the 1948 version of § 1447(c) had caused some interpretation problems and uncertainty, Congress subsequently endorsed the narrower view of the term by replacing it in 1998 with an explicit reference to "any defect in removal procedure." As so amended in 1988, § 1447(c) read in relevant part:

> A motion to remand the case on the basis of any defect in removal procedure must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded . . . ."

See *Snapper*, 171 F.3d at 1256 (citing 28 U.S.C. § 1447(c) (1994)). As the House Judiciary Committee indicated at the time: "The amendment is written in terms of a defect in 'removal procedure' in order to avoid any implication that remand is unavailable after disposition of all federal questions leaves only State law claims that might be decided as a matter of ancillary or pendent jurisdiction or that might instead by remanded." H.R. Rep. No. 100-889 at 72 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6033.

Given that the 1988 amendment intentionally adopted the narrower judicial interpretation of the 1948 version of the statute, subsequent courts remained "unanimous in holding that remands in the contexts of forum selection clauses, abstention, and supplemental jurisdiction were not remands based upon defects in removal procedure, and thus were not remands provided for in § 1447(c)." *Snapper*, 171 F.3d at 1256-57 & nn.14-17. Thus, while the Federal Circuit relied on the 1988 amendment to § 1447(c) as undoing the rationale for the unanimous conclusions

of the other circuits that remands based on declining supplemental jurisdiction under § 1367(c) were not remands affected by § 1447(d), nothing associated with that amendment provides any support for the Federal Circuit's holding.

Although also not analyzed by the Federal Circuit, the first sentence of § 1447(c) was again amended in 1996, this time to eliminate the "removal procedure" language, leaving only the term "defect." See United States District Court, Removal Procedure, Pub. L. No. 104-219, 110 Stat. 3022 (1996). The resulting statutory language is what is now currently in the statute. See supra. The legislative history of the 1996 amendment is sparse. See *Snapper*, 171 F.3d at 1258 (citing H.R. Rep. No. 104-219, at 2 (1996), *reprinted in* 1996 U.S.C.C.A.N. 3417, 2418 (observing that the Bill was viewed as "technical and non-controversial")). For that reason, the Eleventh Circuit interpreted the 1996 version of the statute as perpetuating the well-established caselaw holding that remands in the context of forum selection clauses, abstention, and supplemental jurisdiction are not encompassed within § 1447(c), and thus not insulated from appellate review by § 1447(d). See 171 F.3d at 1259.

The Third Circuit reached the same conclusion in *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151 (3d Cir. 1998). After discussing the amendments to § 1447(c) since this Court's 1976 decision in *Thermtron*, the Third Circuit concluded that the 1996 amendments did not represent "a wholesale rejection of *Thermtron* and a dramatic expansion of § 1447(d)" and that "Congress did not mean to upset the *Thermtron* limits on § 1447(d), and that they remain in effect unchanged by the inter-

vening textual modifications to § 1447(c)." See 142 F.3d at 156 n.8. Citing that analysis by the Third Circuit, the Eleventh Circuit in *Snapper* independently concluded "that the amendment has no effect on the scope of remands authorized by § 1447(c), and therefore no effect on the scope of remand orders with respect to which § 1447(d) bars appellate review. See 171 F.3d at 1259-60.

Based on the above, the only legitimate conclusion that should have been drawn from this Court's observation in *Powerex* is that this Court had not yet specifically had occasion to confirm that there was no substantive difference between the pre-1988 and post-1988 versions of § 1447(c) with respect to the scope of the bar on appellate review in § 1447(d). Moreover, the Federal Circuit's holding that the post-1988 statute both authorizes and warrants a different outcome than under the pre-1988 version of the statute cannot be squared with the statutory language, the Eleventh Circuit's analysis in *Snapper* or the Third Circuit's analysis in *Hudson*. Thus, the Federal Circuit's direct conflict with those circuits over the substantive effect of the 1988 and 1996 statutory amendments provides an additional reason for granting review, in addition to its direct conflict with nine other federal courts of appeals on the ultimate "reviewability" conclusion.

III. THERE IS NO BASIS FOR THE FEDERAL CIRCUIT'S PURPORTED DISTINCTION BETWEEN "INDEPENDENT" JURISDICTION AND SUPPLEMENTAL JURISDICTION

The Federal Circuit recognized that this Court's decision in *Quackenbush*, 517 U.S. at 711-12, held

that § 1447(d) does not bar appellate review of abstention-based remand orders. App. 18a. The Federal Circuit further conceded that "the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and both are discretionary doctrines that allow a district court to decline jurisdiction." App. 18a-19a. The critical point is the latter one—regardless of why or how a court exercises such discretion, both doctrines grant a court the discretion to decline jurisdiction that it already has.

The Federal Circuit instead declared that CTI's reliance on *Quackenbush* overlooked a "fundamental difference" in that "a remand premised on abstention cannot be colorably characterized as a remand based on lack of jurisdiction because in that case the claims at issue have an *independent* basis of subject matter jurisdiction." App. 19a (emphasis added). However, the Federal Circuit's self-devised distinction between "independent" jurisdiction and "supplemental" jurisdiction is non-existent. Whether independent or not, the jurisdiction granted under § 1367(a) gives a federal district court the complete power to decide any state law claims that arise from the same controversy as a federal claim in the same case. See *College of Surgeons*, 522 U.S. at 167. In that regard, the subject matter jurisdiction conferred under § 1367 is no different than that conferred by 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1332 (diversity) or 28 U.S.C. § 1338 (patents, plant variety protection, copyrights, and trademarks).

For that reason, the Federal Circuit erred in reasoning that "when a district court declines supplemental jurisdiction, it is declining to extend its jurisdiction to claims over which it has no inde-

pendent basis of subject matter jurisdiction." App. 19a. Properly understood, the court is not declining to "extend" jurisdiction, it is only declining to exercise existing jurisdiction. By not exercising the subject matter jurisdiction that Congress conferred under § 1367(a), the remanding court is exercising the separate discretion conferred by Congress under § 1367(c). Because abstaining from exercising jurisdiction and exercising discretion to decline jurisdiction both necessarily occur after jurisdiction has already been established to exist, this Court's clear rationale in *Quackenbush* had been properly viewed by every circuit court as controlling in this context as well—until the Federal Circuit's decision in this case.

The conclusion that § 1367(a) establishes subject matter jurisdiction while § 1367(c) merely provides discretion to decline such jurisdiction is further confirmed by the statutory language. The use of "shall" in § 1367(a) shows that its grant of jurisdiction is mandatory. By using "may" in § 1367(c), a court's separate ability to decline such jurisdiction is left to its discretion. To illustrate, before the 1990 version of § 1367 was enacted, the Third Circuit held, absent extraordinary circumstances, that district courts were powerless to hear claims lacking an "independent" jurisdictional basis. See *McCandless*, 50 F.3d at 224 n.6. After 1990, the Third Circuit recognized that a district court "retained supplemental jurisdiction [over pendant state law claims] until it declined to exercise that jurisdiction under § 1367(c)." See 50 F.3d at 224-25 n.6. For that additional reason, the Federal Circuit erred in according any relevance to whether there was an "independent" basis for federal jurisdiction apart from the supplemental jurisdiction conferred by the current version of § 1367.

The Federal Circuit next discerned support for its conclusion in its own decision in *Voda v. Cordis Corp.*, 476 F.3d 887, 892 (Fed. Cir. 2007), which it characterized as holding that the discretionary considerations under § 1367(c) are an express statutory exception to the authorization of jurisdiction granted by § 1367(a). App. 19a. However, the quoted passage is both dicta and incorrect. As shown elsewhere in the *Voda* opinion, its analytical framework recognizes the distinct inquiries into the presence of jurisdiction under § 1367(a) and into the discretion to decline such jurisdiction afforded under § 1367(c):

> A proper exercise of subject matter jurisdiction pursuant to § 1367 requires both the presence of jurisdiction under subsection (a) and an appropriate decision to exercise that jurisdiction under subsection (c). . . . [W]e conclude that the district court erred under subsection (c).

476 F.3d at 891. While the Federal Circuit is correct in observing that "[w]ithout the cloak of supplemental jurisdiction, state claims must be remanded" (App. 19a-20a), the remand in this case is not because the "cloak" of subject matter jurisdiction was lacking, but because the district court decided not to exercise the existing supplemental jurisdiction. In such circumstances, a court's decision not to exercise subject matter jurisdiction that clearly exists is not colorably a remand for lack of jurisdiction for purposes of § 1447(c) and should not be barred from appellate review by § 1447(d).

Finally, the Federal Circuit dismissed CTI's reliance on the Ninth Circuit's decision in *Snodgrass* on grounds that it was not controlling and not persuasive "because we can find no rationale in the decision to evaluate." App. 18a n.4. Admittedly, CTI's arguments based on *Snodgrass* in the court of

appeals were focused on showing that respondents' declaratory judgment claims of inventorship and ownership were exclusively within the jurisdiction of the federal courts and thus could not be remanded to a state court.[2] However, having undertaken to analyze its jurisdiction on its own, the Federal Circuit erred in not discerning why the Ninth Circuit's jurisdictional rationale of *Snodgrass* should have been highly persuasive here.

Snodgrass involved a suit alleging state law claims, including a declaratory judgment for insurance coverage, which was properly removed for diversity. 147 F.3d at 1164. After the district court remanded, the insurance company appealed. *Id.* at 1165. Upon examining its own jurisdiction, the Ninth Circuit held that a remand order entered pursuant to the discretionary jurisdiction provision of the Declaratory Judgment Act was an "exceptional" remand that was entered pursuant to a doctrine or authority other than § 1447(c), which is limited to lack of subject

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[2] As the Federal Circuit recognized, respondents' federal RICO claim provided sufficient basis for supplemental jurisdiction under § 1367(a) over any related state law claims. App 13a n.2. As a result, the dispute over whether the asserted declaratory judgment claims on inventorship and ownership present federal questions exclusively within federal court jurisdiction need not be resolved for this petition. For that reason as well, this petition does not implicate whether the appellate court should or can look beyond the district court's "label" for its remand decision, e.g., *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 641 n.9 (2006), because the district court understood that it had supplemental jurisdiction but remanded under § 1367(c) upon concluding that the "state claims clearly predominate." App. 28a. As the Federal Circuit acknowledged, "the district court's remand order is based on declining supplemental jurisdiction." App. 13a, 14a.

matter jurisdiction or defects in removal procedure. *See* 147 F.3d at 1165.

In so holding, the Ninth Circuit in *Snodgrass* recognized that a court's decision to exercise declaratory judgment jurisdiction involves the same two sequential inquiries into jurisdiction and discretion that a court undertakes before invoking the abstention doctrine or before exercising supplemental jurisdiction under § 1367. As in *Quackenbush* and *Cohill*, the rationale of *Snodgrass* is that a remand order resulting from a decision to decline declaratory judgment jurisdiction is not a remand for lack of jurisdiction. *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942) (holding that while the district court had jurisdiction of a declaratory judgment action, it was under no compulsion to exercise it).

The same clear distinction between the existence of subject matter jurisdiction and the discretion to decline it was recently confirmed by this Court in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 770-77 (2007), where the Court found jurisdiction over a declaratory judgment action without reaching the court's "unique and substantial" discretion to decline jurisdiction. *See Sony Electronics, Inc. v. Guardian Media Techs., Inc.*, 497 F.3d 1271, 1285-87 (Fed. Cir. 2007) (holding that the district court erred in dismissing three declaratory judgment complaints for lack of subject matter jurisdiction before addressing the discretion to decline jurisdiction).

When a district court exercises its discretion to decline jurisdiction under the abstention doctrine, under the supplemental jurisdiction statute, or under the Declaratory Judgment Act, the use of such discretion does not eliminate the subject matter jurisdiction that must exist before the court has any

discretion to exercise. Because any resulting remand in those circumstances is not colorably based on a lack of jurisdiction under § 1447(c), this petition should be granted and the Federal Circuit's decision dismissing CTI's appeal should be reversed.

IV. THIS ISSUE HAS GREATER IMPORTANCE WHERE, AS HERE, THE DISTRICT COURT IMPROPERLY REMANDS CLAIMS TO STATE COURT THAT ARE EXCLUSIVELY FEDERAL

One policy underlying § 1447(d) is that Congress disfavors interruptions to litigation of the merits that would be created by prolonged litigation over which of two otherwise legitimate courts should resolve the disputes between the parties. See *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 640 (2006). However, if CTI's appeal is well-taken on the merits, there would not be two legitimate courts in which to resolve the claims at issue in this case, and there likely should not even be one.

Unlike in the usual removal situation where jurisdiction over the remanded claims is concurrent between the state and federal courts, CTI's appeal here is based on the district court's error in remanding claims to state court that should have been held to be within the exclusive jurisdiction of federal courts (and which should have been dismissed rather than remanded for not yet being ripe for resolution by any court). As noted, CTI's appeal is based on the asserted inventorship and ownership claims being exclusively within federal court jurisdiction and on the remand of the nine other claims also being legally erroneous (and hence an abuse of discretion) because each claim necessarily depends upon the resolution of a substantial question of federal patent law. See

Christianson, 486 U.S. at 809 (federal jurisdiction extends to those cases in which patent law is a necessary element of one of the well-pleaded claims).

While this Court need not and will not pass on the merits of CTI's appeal in resolving the question presented by this petition, the discretionary remand at issue here highlights the even greater importance of resolving the question left open in *Powerex* when the jurisdiction over the remanded claims is exclusive to federal courts rather than concurrent with state courts. In most instances of concurrent jurisdiction between federal and state courts, the likelihood of a district court abusing its discretion in remanding state law claims under § 1367(c) will be low. However, where a district court erroneously remands claims that are exclusively federal to a state court, the resulting abuse of discretion should be apparent. When such an improper remand occurs, it is not only incorrect and wasteful, but will leave any subsequent actions, decisions, or judgments entered by the state court on remand subject to collateral attack on grounds of lack of jurisdiction. See *Christianson*, 486 U.S. at 518.

As explained in *Kircher*, 547 U.S. at 646-47, a state court to which exclusively federal claims are remanded would not, if appellate review is barred by § 1447(d), be bound by the remanding federal court's determination or assumption that the remanded claims are within the state court's jurisdiction. Nevertheless, the practical reality is that the second court in such circumstances will usually adhere to the first court's ruling, even in the absence of any formal preclusive effect. Cf. *Christianson*, 486 U.S. at 816-87. Indeed, the California state court in this case has already assumed jurisdiction over the remanded claims and embarked upon an aggressive

case management schedule for future proceedings. All such proceedings are being imbued with a fatal flaw if the claims being resolved on remand are actually outside the state court's jurisdiction.

For that additional reason, this case is the most appropriate vehicle for resolving the question left open (or reopened) in *Powerex* and for resolving the direct conflict among the circuits incorrectly created by the Federal Circuit (the appellate court with exclusive jurisdiction over appeals arising under the patent laws). Like the abstention-based remand order in *Quackenbush*, a district court's discretionary remand under § 1367(c) is not a remand for lack of subject matter jurisdiction and therefore should not be subject to the bar of § 1447(d).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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May 8, 2008

APPENDIX

APPENDIX A

United States Court of Appeals for the Federal Circuit

2006-1522

HIF BIO, INC.
and BIZBIOTECH CO., LTD.,

Plaintiffs-Appellees,

v.

YUNG SHIN PHARMACEUTICALS INDUSTRIAL CO., LTD.
(doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co. Ltd.),
YUNG ZIP CHEMICAL CO., LTD., FANG-YU LEE, and CHE-MING TENG,

Defendants,

and

CARLSBAD TECHNOLOGY, INC.,

Defendant-Appellant,

and

FISH AND RICHARDSON P.C.,
and Y. ROCKY TSAO,

Defendants.

Bub-Joo S. Lee, Lee Anav Chung, LLP, of Los Angeles, California, argued for plaintiffs-appellees.

Glenn W. Rhodes, Howrey LLP, of San Francisco, California, argued for defendant-appellant. With him on the brief were Julie S. Gabler, Stephanie M. Byerly, and Jesse D. Mulholland, of Los Angeles, California.

Appealed from: United States District Court for the Central District of California

Judge Dean D. Pregerson

United States Court of Appeals for the Federal Circuit

2006-1522

HIF BIO, INC.
and BIZBIOTECH CO., LTD.,

Plaintiffs-Appellees,

v.

YUNG SHIN PHARMACEUTICALS INDUSTRIAL CO., LTD.
(doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co. Ltd.),
YUNG ZIP CHEMICAL CO., LTD., FANG-YU LEE, and CHE-MING TENG,

Defendants,

and

CARLSBAD TECHNOLOGY, INC.,

Defendant-Appellant,

and

FISH AND RICHARDSON P.C.,
and Y. ROCKY TSAO,

Defendants.

DECIDED: November 13, 2007

Before MICHEL, Chief Judge, GAJARSA, Circuit Judge, and HOLDERMAN, Chief District Judge.*

GAJARSA, Circuit Judge.

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* Honorable James F. Holderman, Chief District Judge, United States District Court for the Northern District of Illionois, sitting by designation.

Defendant Carlsbad Technology, Inc. ("CTI") appeals from the decision of the United States District Court for the Central District of California remanding the case to state court. HIF Bio, Inc. v. Yung Shin Pharms. Indus. Co., Ltd. ("Order"), No. 05-07976 (C.D. Cal. Jun. 9, 2006). The remand order was entered in response to a motion to dismiss brought by Defendant CTI. Id. at 5. Because we lack jurisdiction to review this appeal, we dismiss.

I.

A.

The plaintiffs alleged the following facts, which we accept as true for purposes of this appeal, in their first amended complaint ("FAC").

In 1999, Jong-Wan Park ("Park") and Yang-Sook Chun ("Chun"), two researchers affiliated with a Korean university, began to investigate the effect of the chemical compound YC-1 on a protein complex known as HIF-1. A component of HIF-1 is expressed in human tumors, and Park and Chun hypothesized that YC-1 could be used to inhibit the activity of HIF-1, "which would have the effect of suppressing angiogenesis, that is, the growth of blood vessels into animal tumors, and thereby kill the tumor by starving it of oxygen and nutrients." FAC ¶¶ 19-21.

Between 1999 and 2002, Park and Chun "conducted a series of laboratory experiments that confirmed that YC-1 in fact inhibits HIF-1 activity in vitro, that is, in test tube experiments" and "in vivo, that is, in live laboratory animals." Id. ¶¶ 22, 24.

Park and Chun "filed a Korean patent application disclosing their INVENTION, including the novel anti-angiogenic, anti-cancer application of YC-1" and submitted the results of their experiments in papers to two academic journals, which subsequently accepted and published the papers. Id. ¶¶ 22-26.

During this time period, Park contacted and exchanged several emails with Defendant Che-Ming Teng ("Teng"). Park contacted Defendant Teng because of his "prior role in the synthesis and development of YC-1, his general familiarity with the compound, and his relationship with" Defendant Yung Shin Pharmaceuticals Industrial Co., Ltd. ("Yung Shin"), "a major supplier of YC-1." Id. ¶ 32. Defendant Teng supplied Park with four batches of YC-1 to be used in the experiments. Park disclosed the results of his study and sent to Defendant Teng a draft manuscript of the in vitro paper and the not-yet-public experimental data from the in vivo experiments. Park also suggested that Defendant Teng and Defendant Fang-Yu-Lee ("Lee"), the President of Defendant Yung Shin, could be co-authors of the in vitro paper. Id. ¶¶ 32-39. Unknown to Park and Chun, Defendants Y. Rocky Tsao and Fish & Richardson P.C. (collectively "Patent Attorneys") filed U.S. patent applications "covering the novel anti-angiogenic, anti-cancer properties of YC-1" and naming Defendants Lee and Teng as the inventors. Id. ¶¶ 56-62. In March 2003, Defendant Yung Shin filed a PCT application claiming priority to the U.S. provisional application. Id. ¶ 86.

In July 2003, Park and Chun assigned all of their rights relating to YC-1 to Plaintiff BizBiotech. Plaintiff BizBiotech attempted to negotiate a joint venture with Defendants Teng, Lee, and Yung Shin; during the negotiations, Plaintiff BizBiotech "disclosed its patent protection strategy" and "business plans." Id. ¶ 63-71. The defendants involved in the negotiations did not reveal their own patent applications to the plaintiffs. Id. ¶¶ 28, 63-71. In February 2005, Plaintiff BizBiotech assigned all of its rights with respect to YC-1 to Plaintiff HIF Bio, Inc. ("HIF").

Plaintiffs BizBiotech and HIF assert that they hold all rights "with respect to the INVENTION and application of YC-1 as an anti-cancer, anti-angiogenesis agent," including several U.S. patent applications filed between April 2003 and June 2004 naming Park and Chun as the inventors. Id. ¶¶ 29-30, 86, 89. The plaintiffs also assert that Defendant CTI agreed to work with Defendants Yung Shin, Lee, and Teng "to further develop, commercialize, sell and market YC-1 and its analogues as anti-angiogenic, anti-cancer drugs in the United States and abroad." Id. ¶ 82.

B.

In September 2005, Plaintiffs HIF and BizBiotech filed a complaint against Defendants Yung Shin, Yung Zip Chem. Co., Ltd. ("Yung Zip"), Lee, Teng, CTI, and Patent Attorneys in Los Angeles Superior Court. In November 2005, Defendant CTI removed the action to the United States District Court for the Central District of California. In

March 2006, the plaintiffs filed their first amended complaint, asserting twelve causes of action.

The first and second causes of action seek a declaratory judgment for ownership and inventorship, respectively, of "the INVENTION." FAC ¶¶ 104-110. The third cause of action asserts violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961-68. FAC ¶¶ 112-71. The remaining nine causes of action are based respectively on slander of title, id. ¶¶ 172-75; conversion, id. ¶¶176-80; actual and constructive fraud, id. ¶¶181-84; intentional interference with contractual relations and prospective economic advantage, id. ¶¶ 185-89; negligent interference with contractual relations and prospective economic advantage, id. ¶¶ 190-96; breach of implied contract, id. ¶¶ 197-203; unfair competition and fraudulent business practices, id. ¶¶ 204-09; unjust enrichment-constructive trust, id. ¶¶ 210-14; and permanent injunction, id. ¶¶ 215-19.

The defendants filed various motions to dismiss and to strike. Of pertinence here, Defendant CTI moved to dismiss the plaintiffs' first amended complaint based on Federal Rule of Civil Procedure 12(b)(1) and (6). The district court dismissed the RICO claim finding that the plaintiffs "have not adequately alleged a pattern of racketeering." Order, slip op. at 11-12. In addition, the district court declined supplemental jurisdiction over the rights of inventorship and ownership of inventions claims, which it found were state law claims, and also declined supplemental jurisdiction over the plaintiffs' nine other state claims. Id. at 7-9, 12.

Having declined supplemental jurisdiction over the state claims, the district court remanded the case to state court. Id.

Defendant CTI filed a timely notice of appeal with this court.[1]

II.

We have stated that "[w]hether this court has jurisdiction over an appeal taken from a district court judgment is a question of law which we address in the first instance." Thompson v. Microsoft Corp., 471 F.3d 1288, 1291 (Fed. Cir. 2006) (quoting Pause Tech. LLC v. TiVo Inc., 401 F.3d 1290, 1292 (Fed. Cir. 2005)). Whether the district court possessed jurisdiction is also a question of law that this court reviews without deference. Dehne v. United States, 970 F.2d 890, 892 (Fed. Cir. 1992) ("This Court . . . reviews jurisdiction, a question of law, de novo.") (citation omitted); see Elder v. Holloway, 510 U.S. 510, 516 (1994) ("[Q]uestion[s] of law . . . must be resolved de novo on appeal."); Teva Pharms. USA, Inc. v. Novartis Pharms. Corp., 482 F.3d 1330, 1335 (Fed. Cir. 2007) (§ 2201 declaratory judgment action); Voda v. Cordis Corp., 476 F.3d 887, 892 (Fed. Cir. 2007) (§ 1367 supplemental jurisdiction); see Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg., 545 U.S. 308, 310 (2005) (§ 1331 federal question jurisdiction in removal context).

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[1] Defendant Patent Attorneys filed a separate notice of appeal with the Ninth Circuit. That appeal is still pending. See HIF Bio, Inc. v. Fish & Richardson, No. 06-55972.

Title 28 U.S.C. § 1367 "reaffirms that the exercise of supplemental jurisdiction is within the discretion of the district court." Mars, Inc. v. Kabushiki-Kaisha Nippon Conlux, 24 F.3d 1368, 1374 (Fed. Cir. 1994); see also City of Chicago v. Int'l Coll. of Surgeons, 522 U.S. 156, 172 (1997) (stating that supplemental jurisdiction statute codifies the principle "that pendent jurisdiction 'is a doctrine of discretion, not of plaintiff's right,' and that district courts can decline to exercise jurisdiction over pendent claims for a number of valid reasons") (quoting United Mine Workers of Am. v. Gibbs, 383 U.S. 715, 726 (1966)). A district court's discretion, however, is not unfettered and is subject to review for an abuse of discretion. Voda, 476 F.3d at 897-98.

III.

A.

Defendant CTI asserts on appeal that the district court's remand order was improper because the plaintiffs' remanded claims raise a substantial question of federal patent law—inventorship. The plaintiffs assert that the district court's remand order was proper because their claims are based solely on state law and do not arise under the federal patent laws. We dispose of this appeal, however, on a threshold issue—whether this court has appellate jurisdiction to review the district court's remand order.

The Supreme Court has stated that "every federal appellate court has a special obligation to satisfy itself . . . of its own jurisdiction . . . even

though the parties are prepared to concede it." Bender v. Williamsport Area Sch. Dist., 475 U.S. 534, 541 (1986) (citation and internal quotation marks omitted); see, e.g., SafeTCare Mfg., Inc. v. Tele-Made, Inc., --- F.3d ----, slip op. at 2-3 (Fed. Cir. 2007); Smith v. Nicholson, 451 F.3d 1344, 1347 (Fed. Cir. 2006). Here, because Defendant CTI appeals from a remand order, we must determine whether 28 U.S.C. § 1447(d) bars this court's appellate jurisdiction. Powerex Corp. v. Reliant Energy Servs., Inc., 127 S. Ct. 2411, 2415 (2007) ("The authority of appellate courts to review district-court orders remanding removed cases to state court is substantially limited by [§ 1447(d)]."). For the following reasons, we find that 28 U.S.C. § 1447(d) bars this court's review of the remand order.

B.

Title 28 U.S.C. § 1447(d) provides (with an exception for civil rights cases removed from state court pursuant to § 1443) that "[a]n order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise." While the language of this statute on its face appears to preclude review, the Supreme Court has "interpreted § 1447(d) to cover less than its words alone suggest." Powerex, 127 S. Ct. at 2415.

In the seminal case of Thermtron Products, Inc. v. Hermansdorfer, 423 U.S. 336 (1976), the Supreme Court held that appellate courts are not barred by § 1447(d) from reviewing a district court's remand order based on an overloaded docket. 423 U.S. at 351. The Court reasoned that the

jurisdictional bar of § 1447(d) should be read in pari materia with, and thus limited to, the grounds enumerated in § 1447(c), which at the time authorized remands only for cases "removed improvidently and without jurisdiction." Id. at 345-46.

Since Thermtron, Congress has amended the language of § 1447(c) twice—once in 1988 and again in 1996. In addition, the Supreme Court has issued several § 1447(d) decisions. See Powerex Corp. v. Reliant Energy Servs., Inc., 127 S. Ct. 2411 (2007); Osborn v. Haley, 127 S. Ct. 881 (2007); Kircher v. Putnam Funds Trust, 126 S. Ct. 2145 (2006); Quackenbush v. Allstate Ins. Co., 517 U.S. 706 (1996); Things Remembered, Inc. v. Petrarca, 516 U.S. 124 (1995); Carnegie-Mellon Univ. v. Cohill, 484 U.S. 343 (1988); Gravitt v. Sw. Bell Tel. Co., 430 U.S. 723 (1977). In these decisions, the Court repeatedly reaffirmed Thermtron's holding that the jurisdictional bar against reviewing remand orders is limited by § 1447(c). See Osborn, 127 S. Ct. at 893; Kircher, 126 S. Ct. at 2153-54; Things Remembered, 516 U.S. at 127-28. Section 1447(d) thus remains limited by § 1447(c).

Section 1447(c) provides:

> A motion to remand the case on the basis of any defect other than lack of subject matter jurisdiction must be made within 30 days after the filing of the notice of removal under section 1446 (a). If at any time before final judgment it appears that the district court lacks subject matter

> jurisdiction, the case shall be remanded. An order remanding the case may require payment of just costs and any actual expenses, including attorney fees, incurred as a result of the removal. A certified copy of the order of remand shall be mailed by the clerk to the clerk of the State court. The State court may thereupon proceed with such case.

(emphases added). The language of § 1447(c) thus indicates that § 1447(d) bars review of remand orders based either on a lack of subject matter jurisdiction or on "any defect other than a lack of subject matter jurisdiction." Quackenbush, 517 U.S. at 712.

In this case, the district court's remand order is based on declining supplemental jurisdiction. The district court held that "the inventorship and ownership of inventions are valid state law claims," over which it lacked original (i.e. federal question or diversity) jurisdiction. Order, slip op. at 8-9. Despite holding that it lacked an independent basis of subject matter jurisdiction over the inventorship and ownership claims (Counts 1 and 2), the district court did have federal question jurisdiction over the plaintiffs' alleged RICO claim. The alleged federal RICO claim was the basis for the district court's § 1367(a) supplemental jurisdiction over the inventorship and ownership claims, as well as the remaining nine state claims (Counts 4-12).[2]

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[2] The federal RICO claim provided the basis for this supplemental jurisdiction even though the RICO claim was

Pursuant to § 1367(c), the district court "decline[d] to exercise supplemental jurisdiction over the state claims in the FAC" because the "preponderance of state law issues means that a state court is the proper venue to try the state law claims." Order, slip op. at 7. The district court thus remanded all of the non-RICO causes of action (Counts 1, 2, and 4-12) based on declining supplemental jurisdiction.

If the district court had not had supplemental jurisdiction over the state claims, the remand would have been based on a lack of federal question or diversity jurisdiction. In such case, deciding whether § 1447(d) bars review would be straightforward. A remand for lack of federal question or diversity jurisdiction is clearly a remand for lack of subject matter jurisdiction under § 1447(c) and thus barred from appellate review by 1447(d). See Powerex, 127 S. Ct. at 2418 ("We hold that when, as here, the District Court relied upon a ground that is colorably characterized as subject-matter jurisdiction, appellate review is barred by § 1447(d)."). However, in this case, because the remand order was based on declining supplemental jurisdiction pursuant to § 1367(c), we are faced with an issue of first impression for this court: whether a remand based on declining supplemental jurisdiction under § 1367(c) is within the class of remands described in

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dismissed for failure to state a claim. See Arbaugh v. Y & H Corp., 546 U.S. 500, 514 (2006) ("[W]hen a court grants a motion to dismiss for failure to state a federal claim, the court generally retains discretion to exercise supplemental jurisdiction, pursuant to 28 U.S.C. § 1367, over pendent state law claims.").

§ 1447(c), and thus barred from appellate review by § 1447(d).

Although we have not yet addressed this issue, several other Courts of Appeals, relying on the Supreme Court's decision in Carnegie-Mellon Univ. v. Cohill, 484 U.S. 343 (1988), have held that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). See, e.g., Trans Penn Wax Corp. v. McCandless, 50 F.3d 217, 223-24 (3d Cir. 1995) (citing precedents in the Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, and Eleventh Circuits); 14C Wright et al., Federal Practice & Procedure § 3740 n.39 (3d ed. 1998).

In Cohill, the Supreme Court held that district courts have discretion to remand "a removed case involving pendent claims upon a proper determination that retaining jurisdiction over the case would be inappropriate." 484 U.S. at 357. The Court reasoned that (1) the animating principle underlying the flexible doctrine of pendent jurisdiction in United Mine Workers of Am. v. Gibbs, 383 U.S. 715 (1966), supports giving district courts discretion not only to dismiss but also to remand; and (2) the removal statute does "not address specifically any aspect of a district court's power to dispose of pendent state-law claims after removal." Cohill, 484 U.S. at 348-55. In doing so, the Court stated in a footnote that "[Section] 1447(c), as the dissent recognizes, do[es] not apply to cases over which a federal court has pendent jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendent jurisdiction overlap not at all."

484 U.S. at 355 n.11. Other Courts of Appeals have cited this footnote for the proposition that a remand order based on declining supplemental jurisdiction is not within the class of remands described in § 1447(c) and thus not subject to the jurisdictional bar of § 1447(d). See, e.g., McCandless, 50 F.3d at 223-24.

Despite the trend among appellate courts relying on Cohill for the proposition that § 1447(d) does not bar review of § 1367(c) remands, Justice Kennedy's concurrence in Things Remembered introduced a degree of uncertainty as to whether such reliance was well placed. In particular, Justice Kennedy's concurring opinion, joined by Justice Ginsburg, stated that although the Court held in Cohill that "a district court may remand to state court a case in which . . . only pendent state-law claims remained," the Court "did not find it necessary to decide whether [§ 1447](d) would bar review of a remand on these grounds." 516 U.S. at 130 (Kennedy, J., concurring). Justice Kennedy's concurrence acknowledged that "various Courts of Appeals have relied on Thermtron to hold that § 1447(d) bars appellate review of § 1447(c) remands but not remands ordered under Cohill," but stated that the "issues raised by those decisions are not before us." 516 U.S. at 130. We have found no decision that grapples with Justice Kennedy's Things Remembered concurrence, and the Courts of Appeals have appeared to continue to hold that remand orders based on § 1367(c) are reviewable on appeal, regardless of § 1447(d).

The Supreme Court's recent Powerex decision, however, made the uncertainty introduced by Justice Kennedy's Things Remembered concurrence precedential. In Powerex, the Court stated that "[i]t is far from clear . . . that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)." 127 S. Ct. at 2418-19. Citing Justice Kennedy's Things Remembered concurrence and drawing attention to the statutory amendments, the Court also noted that the question was still open, stating: "[w]e have never passed on whether Cohill remands are subject matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d)." Id. at 2419 n.4.[3]

By thus undercutting the persuasive force of the decisions of the other Courts of Appeals relying on Cohill, Powerex appears to reopen the question of whether § 1367(c) remands are barred from review

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[3] Indeed, under the pre-1988 version of § 1447(c), which required remands only where the case was "removed improvidently and without jurisdiction," Cohill remands arguably would not have been within the ambit § 1447(c). That is, prior to 1988, § 1447(c) only contemplated remands where the jurisdictional flaw existed prior to removal. Under this version, remands of pendent state-law claims where the federal claims dropped out of the case after it had been removed would not be subject to the jurisdictional bar of § 1447(d). By contrast, the current version of § 1447(c) contemplates that the jurisdictional flaw can arise "at any time before final judgment." Accordingly, from a temporal perspective at least, § 1367(c) remands are now potentially within the class of remands described in § 1447(c) and thus subject to the jurisdictional bar of § 1447(d).

under §§ 1447(c) and (d). Moreover, Powerex states that a remand order need only be colorably characterized as a remand based on lack of subject matter jurisdiction to be beyond the reach of appellate courts under § 1447(d). 127 S. Ct. at 2418. It is with this new perspective on the jurisdictional bar of § 1447(d) that we now turn to the question of our jurisdiction to review the present appeal.

Here, Defendant CTI cites the Supreme Court's Quackenbush decision to support its argument that § 1447(d) permits our appellate review of § 1367(c) remands.[4] In Quackenbush, the Court held that § 1447(d) interposes no bar to appellate review of abstention-based remand orders. 517 U.S. at 711-12. CTI argues by analogy that § 1447(d) imposes no bar to review of discretionary remands under § 1367(c). It is true that the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and both are discretionary doctrines that allow a district court to

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[4] Defendant CTI also cites Snodgrass v. Provident Life & Accident Insurance Co., 147 F.3d 1163 (9th Cir. 1988), for the proposition that appellate courts have jurisdiction to review remand orders entered pursuant to the Declaratory Judgment Act. In Snodgrass, the Ninth Circuit held without explanation that a "remand order entered pursuant to the discretionary jurisdiction provision of the Declaratory Judgment Act is" an "'[e]xceptional' remand order[], entered pursuant to some doctrine or authority other than § 1447(c)" and "not subject to § 1447(d)'s prohibition." Snodgrass, 147 F.3d at 1165. Snodgrass, however, does not provide controlling authority. Nor do we find the case to be persuasive because we can find no rationale in the decision to evaluate.

decline jurisdiction. However, Defendant CTI's analogy overlooks a fundamental difference between remands based on abstention and remands based on declining supplemental jurisdiction. This difference compels a different result when applying the jurisdictional bar of § 1447(d).

A court "abstains" from hearing claims over which it has an *independent* basis of subject matter jurisdiction, whether it be federal question jurisdiction or diversity jurisdiction. Cf. Burford v. Sun Oil Co., 319 U.S. 315, 317-18 (1943). Accordingly, a remand premised on abstention cannot be colorably characterized as a remand based on lack of jurisdiction because in that case the claims at issue have an independent basis of subject matter jurisdiction.

By contrast, when a court declines supplemental jurisdiction, it is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction, i.e., state claims. Simply put, when declining supplemental jurisdiction over state claims, a district court strips the claims of the only basis on which they are within the jurisdiction of the court. Cf. Voda, 476 F.3d at 898 ("Voda asserts that [§ 1 367(c)'s discretionary] considerations 'have nothing to do with, the certified question concerning existence of subject-matter jurisdiction.' We disagree. The text of § 1367(a) indicates § 1367(c) constitutes an express statutory exception to the authorization of jurisdiction granted by § 1367(a)."). Without the cloak of supplemental jurisdiction, state

claims must be remanded for lack of subject matter jurisdiction.

In short, because every § 1367(c) remand necessarily involves a predicate finding that the claims at issue lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction. Accordingly, a remand based on declining supplemental jurisdiction must be considered within the class of remands described in § 1447(c) and thus barred from appellate review by § 1447(d).

For these reasons, we conclude that we lack jurisdiction over Defendant CTI's appeal.

DISMISSED

Each party shall bear its own costs for this appeal.

APPENDIX B

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

HIF BIO, INC., a California Corporation, BIZBIOTECH CO. LTD., a corporation organized under the laws of the Republic of Korea,	) Case No.) CV 05-07976) DDP (MANx))
Plaintiff,	) **ORDER**) **GRANTING**) **MOTION**
v.	) **TO**) **DISMISS**
YUNG SHIN PHARMACEUTICALS INDUSTRIAL CO. LTD, a corporation organized under the laws of Taiwan, d/b/a/ YUNG SHIN PHARMACEUTICALS, d/b/a/ YUNG SHIN PHARM. IND. CO., LTD., CARLSBAD TECHNOLOGY, INC., a California corporation; YUNG ZIP CHEMICAL CO., LTD., a corporation organized under the laws of Taiwan; FISH & RICHARDSON P.C., a professional corporation of unknown nature; FANG-YU LEE, an individual; CHE-MING TENG, an individual; Y. ROCKY TSAO, an individual,	))

Defendants.)
)

This matter is before the Court on the defendants' motion to dismiss pursuant to Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6). After reviewing the submissions of the parties, the Court grants the motion.

I. BACKGROUND

This case involves the discovery that a compound YC-1 may have significant cancer-fighting applications. YC-1 is a compound originally developed for potential application to circulatory disorders that inhibit platelet aggregation and vascular contraction. (First Amended Complaint ("FAC") ¶ 16.) YC-1 is not protected by United States patent, and it can be purchased from various suppliers. (Id. ¶ 18.)

In 1999, Jong-Wan Park and Yang-Sook Chun ("Park & Chun") began researching the effect of YC-1 on a protein complex called HIF-1 that is expressed in tumors. (Id. ¶¶ 19-20.) Via their research, Park & Chun "made a novel insight into an application of YC-1." (Id. ¶ 21.) After further experiments, Park & Chun "confirmed that YC-1 had the potential to become the first anti-angiogenic, anti-cancer agent to target HIF-1. (Id. ¶ 22.) These properties and applications of YC-1 were allegedly novel and the Plaintiffs[5] assert this discovery was an invention of

[5] The plaintiffs, HIF Bio, Inc. and BizBiotech Co. Ltd., are pharmaceutical corporations to whom Park & Chun assigned their rights.

Park & Chun ("the Invention"). (Id.) Based on the Invention, Park & Chun performed further experiments, published multiple academic articles, and obtained a Korean patent. (Id. ¶¶ 23-26.).

In 1999, Park contacted defendant Che-Ming Teng, a scientist who had experience working with YC-1. (Id. ¶ 32.) Teng had earlier played a role in the synthesis and development of YC-1. The Plaintiffs contend Park contacted Teng to obtain supplies of YC-1 because Teng was familiar with the compounded and had an established relationship with Yung Shin Pharmaceuticals Industrial Co. Ltd ("Yung Shin"). (Id.) Yung Shin is a Taiwanese drug manufacturer whose primary line of business is the production and sale of generic drugs. (Id. ¶ 40.) Yung Shin was involved with the synthesis and evaluation of YC-1 in the 1990s. (Id. ¶ 17.) The Plaintiffs assert that at that time, Yung Shin was hoping YC-1 would have effects similar to Viagra and had not researched any potential anti-cancer qualities of the compound. (Id. ¶¶ 17, 34, 40-43.)

From 1999 to 2001, Teng helped Park & Chun acquire four batches of YC-1. Teng allegedly obtained these batches from defendants Yung Chin and Fang-Yu Lee. (Id. ¶ 33.) Throughout this time, Park communicated with Teng regarding Park & Chun's research and results. Park also offered to add Teng as a co-author to at least one of the articles on YC-1. (Id. ¶¶ 34-37.) The Plaintiffs assert that all parties understood and agreed that the Invention belonged to Park & Chun, and the Defendants would not seek to be considered inventors nor would they commercialize YC-1 or interfere with Park & Chun's

efforts to either commercialize YC-1 as an anti-cancer agent or obtain patents on the Invention. (Id. ¶ 38.)

The Plaintiffs allege that Yung Shin, Teng, and Lee worked together to misappropriate inventorship and to interfere with Park & Chun's ability to obtain a United States patent on the Invention. (Id. ¶ 45.) The Plaintiffs contend that the Defendants lied to Park & Chun and acted strategically to obtain information from Park & Chun regarding their research. (Id. ¶¶ 44-49.) The Plaintiffs also allege that Yung Shin, Teng, and Lee recruited and obtained the assistance of the other defendants by promising them financial benefits. (Id. ¶ 47.)

One of these other defendants is Carlsbad Technology, Inc. ("Carlsbad"), a California corporation engaged in trading chemicals, pharmaceuticals, and natural herbal extracts. (Id.) The Plaintiffs argue that Carlsbad is a "mere shell[] and naked framework" which Lee and other individual Doe defendants use as "conduits for the conduct of their personal business and affairs." (Id. ¶ 102.) The Plaintiffs allege that Carlsbad has agreed to work with the other defendants to commercialize, sell, and market YC-1 and its analogues as anti-angiogenic anti-cancer drugs. (Id. ¶ 47.)

The Plaintiffs allege that in February 2002, Yung Shin and Lee instructed their attorney (also named as a defendant in this case along with his law firm) to file a United States provisional patent

application covering the novel anti-cancer properties of YC-1. (Id. ¶ 56.) In March 2002, the attorney filed a patent application on behalf of Teng. (Id. ¶ 57.) The patent application (and a later patent application) listed Carlsbad as the rightful owner of the Invention by way of assignments from Lee and Teng. The Plaintiffs argue that Carlsbad knew or should have known that Lee and Teng are not the actual discoverers of the Invention. (Id. ¶ 82.)

The Plaintiffs seek relief in the form of declaratory judgment with respect to ownership and inventorship of the Invention. The Plaintiffs also bring claims for violation of Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 -1968 (2000), slander, conversion, actual and constructive fraud, intentional and negligent interference with contractual relations and prospective economic advantage, breach of implied contract, unfair competition and fraudulent business practices, unjust enrichment and constructive trust. Additionally, the Plaintiffs seek a permanent injunction restraining the Defendants from representing themselves as the inventors of the Invention. The plaintiffs seek damages of no less than $284 million dollars plus attorneys' fees.

Carlsbad now brings a motion to dismiss the FAC arguing that the Court lacks subject matter jurisdiction and because the Plaintiffs have failed to state a claim upon which relief may be granted. (Mot. 1.)

II. DISCUSSION

A. Legal Standard

1. Motion to Dismiss

Dismissal under Federal Rule of Civil Procedure 12(b)(6) is appropriate "only if it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations." Newman v. Universal Pictures, 813 F.2d 1519, 1521-22 (9th Cir. 1987) (quoting Hishon v. King & Spaulding, 467 U.S. 69, 73 (1984)). Accordingly, the Court must "accept all factual allegations of the complaint as true and draw all reasonable inferences in favor of the nonmoving party." Arpin v. Santa Clara Valley Transp. Agency, 261 F.3d 912, 923 (9th Cir. 2001). The Court need not accept conclusory legal assertions as true. Benson v. Ariz. State Bd. of Dental Exam'rs, 673 F.2d 272, 275-76 (9th Cir. 1982).

Dismissal is proper under Rule 12(b)(1) where the Court lacks jurisdiction over the subject matter of the complaint. Fed. R. Civ. Pro. 12(b)(1). The Court presumes a lack of subject matter jurisdiction until the plaintiff meets his burden establishing subject matter jurisdiction. Fed. R. Civ. Pro. 12(b)(1); Kokkonen v. Guardian Life Ins. Co., 511 U.S. 375 (1994). The non-moving party must support its allegations with competent proof of jurisdictional facts when a party moves for dismissal under Rule 12(b)(1). Thomson v. Gaskill, 315 U.S. 442, 446 (1942).

2. RICO

Section 1964(c) of RICO enables persons injured under section 1962 to sue in federal district court. 18 U.S.C. § 1964(c). Section 1962 prohibits racketeering. Id. § 1962. To maintain a claim under section 1962, plaintiffs must plead: (1) conduct (2) of an enterprise (3) through a pattern (4) of racketeering activity. See Sedima, S.P.R.L. v. Imrex Co., 473 U.S. 479, 496 (1985).

In defining "racketeering activity," the code makes reference to acts which are chargeable under various provisions of the federal code. 18 U.S.C. § 1961(1). Racketeering activity is any act indictable under several provisions of Title 18 of the United States Code. 18 U.S.C. § 1961.

A pattern "requires at least two acts of racketeering activity." Sedima, 473 U.S. at 497 n.14. To establish a pattern, a plaintiff must demonstrate "a relationship ... among the alleged predicate acts" and continuity. Sun Sav. & Loan Ass'n v. Dierdorff, 825 F.2d 187, 192 (9th Cir. 1987). "It is this factor of continuity plus relationship which combines to produce a pattern." Sedima, 473 U.S. at 528.

Under RICO, an enterprise "includes any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity." 18 U.S.C. § 1961(4). At a minimum, to be an enterprise, an entity must exhibit "some sort of structure ... for the making of decisions, whether it be hierarchical or consensual." United States v.

Riccobene, 709 F.2d 214, 222 (3d Cir. 1983). The structure should provide "some mechanism for controlling and directing the affairs of the group on an on-going, rather than an ad hoc, basis." Id. It is not necessary to show that the organization has some function wholly unrelated to the racketeering activity." Id. at 223-24. Rather, it is sufficient to show that the organization has an existence beyond that which is necessary to commit the predicate acts of racketeering. Id. at 224. "The function of overseeing and coordinating the commission of several different predicate offenses and other activities on an on-going basis is adequate to satisfy the separate existence requirement." Chang v. Chen, 80 F.3d 1293, 1299 (9th Cir. 1996).

B. Analysis

1. State Claims

As a preliminary matter, the Court declines to exercise supplemental jurisdiction over the state claims in the FAC. The FAC contains twelve causes of action, eleven of which are state claims. The state claims clearly predominate over the federal RICO claim. The preponderance of state law issues means that a state court is the proper venue to try the state law claims.

2. Declaratory Judgment Claims

Claims for declaratory judgment may be questions of either state or federal law. Federal declaratory judgments are brought pursuant to the Declaratory Judgment Act. 28 U.S.C. § 2201(a).

Based on that Act, the Court may issue declaratory judgments over any case or controversy within its jurisdiction. Therefore, the Court examines the Plaintiffs' first two claims for declaratory judgment to determine whether they are within the Court's jurisdiction.

Carlsbad argues that these two causes of action should be considered federal because they arise from the Patent Act, an area of exclusive federal jurisdiction. Carlsbad argues that ruling on the claims necessarily involves determination of patent rights. As initial patent determinations must be done by the United States Patent Office ("PTO"), Carlsbad contends that this Court does not have jurisdiction over these two claims. Carlsbad cites several cases for the proposition that inventorship is a question for the PTO. See, e.g., Duke Univ. v. Elan Corp., 2006 WIC 267185 (M.D.N.C. 2006); Concrete Washout Sys., Inc. v. Minegar Envt'l Sys., Inc., 2005 U.S. Dist. LEXIS 34664 (E.D. Cal. 2005); Sagoma Plastics, Inc. v. Gelardi, 366 F.Supp.2d 185 (D. Me. 2005); GAF Bldg. Materials v. ELK Corp., 90 F.3d 479 (Fed Cir. 1996). However, all the cases cited by Carlsbad involve direct challenges to patents or patent applications where the parties specifically rely upon patent law. None of the cases involve plaintiffs invoking state common law rules regarding inventorship.

The Plaintiffs aver that they are not contesting patents or patent applications, but are instead seeking declaratory judgment on the issue of inventorship under state common law. The New Jersey District Court examined a similar issue in

Bohlman v. American Paper, 53 F.Supp. 794 (D.N.J. 1944). There, the plaintiff asserted rights under state property law, not federal patent law. The New Jersey District Court held that the "plaintiff, as the inventor, ha[d] a right independent of patent law." Id. at 795 (also explaining that the common law rights of inventors "has long been recognized").

As rights of inventorship and ownership of inventions are valid state law claims, the Court does not have jurisdiction over the first two causes of action. Therefore, the Court remands these causes of action along with the other state law claims. Thus, the only claim remaining for adjudication by this Court is the RICO claim.

3. RICO

a. Standing

The Plaintiffs' bring a RICO claim against all the Defendants alleging that the Defendants worked together in an enterprise committing a pattern of racketeering activity. As a threshold issue, the Court examines whether the Plaintiffs have standing to bring claims under RICO. Section 1964(c) enables persons injured under section 1962 to sue in federal district court. This section requires plaintiffs to demonstrate injury to business or property. 18 U.S.C. § 1964(c). Injury to business or property is shown by demonstrating "concrete financial loss." Oscar v. University Students Co-Op. Ass'n, 965 F.2d 783, 785 (9th Cir. 1992).

Carlsbad argues that the Plaintiffs have not alleged a tangible and concrete financial loss. Carlsbad characterizes the Plaintiffs' damages as arising from patent rights the Plaintiffs hope to acquire. Carlsbad argues that this is a not a tangible injury, and the property right has yet to be defined. (Mot. 11.)

The Plaintiffs argue that the Defendants have defined the injury too narrowly. (Opp'n 18.) The Plaintiffs assert that their property loss was the loss of confidential and proprietary information that the Defendants tricked them into revealing. (Id.) Essentially, the Plaintiffs argue they lost trade secrets.[6] (Id.) The Supreme Court has recognized that confidential business information is property. Carpenter v. United States, 484 U.S. 19, 26 (1987); see also. Formax, Inc. v. Hostert, 841 F.2d 388, 390 (Fed Cir. 1988) (recognizing trade secrets as property under RICO).

Carlsbad also argues that the Plaintiffs do not have standing because the alleged injuries were injuries to Park & Chun, not injuries to the Plaintiffs who have been assigned the rights of Park & Chun. Carlsbad argues that such indirect injury does not satisfy the injury prong under RICO. (Mot. 11.)

---

[6] Carlsbad argues that the Plaintiffs cannot establish a loss of confidential information because Park & Chun did not maintain confidentiality. At this point in the proceeding, the Court does not evaluate the nature or extent of the purported confidential information. Taking allegations in the FAC as true, the Court holds that the Plaintiffs have adequately pled loss of confidential information.

Such reasoning is not persuasive because federal courts have consistently held that parties may assign RICO claims. See, e.g., Lerman v. Joyce Int'l, 10 F.3d 106, 112-13 (3d Cir. 1993); In re Nat'l Mortgage Equity Corp. Mortgage Pool Certificates Sec. Litig., 636 F. Supp. 1138, 1155-56 (C.D. Cal. 1986). Further, the FAC alleges direct injuries to the Plaintiffs (FAC ¶¶ 77-80.)

The Plaintiffs have alleged injury beyond injury associated with pending patent applications. The Court holds that asserted losses of trade secrets are sufficient allegations of injury to property to have standing under RICO.

b. Pattern of Racketeering Activity

Carlsbad argues that the Plaintiffs have failed to allege a patten of racketeering activity. To establish a pattern, a plaintiff must demonstrate "a relationship . . . among the alleged predicate acts" and continuity. Sun Sav. & Loan Ass'n v. Dierdorff, 825 F.2d 187, 192 (9th Cir. 1987). "It is this factor of continuity plus relationship which combines to produce a pattern." Sedima, S.P.R.L. v. Imrex Co., 473 U.S. 479, 528 (1985).

Carlsbad argues that the Plaintiffs continuity allegations are insufficient because the FAC states that the alleged acts commenced in late 1999 and have continued to this date. (Mot. 16.) However, the FAC presents detailed accounts of multiple e-mails. The Plaintiffs allege that the Defendants repeated actions all worked to defraud them of their property.

The Plaintiff present multiple allegations of fraudulent statements contained in e-mails. However, all of the allegations contained in the FAC and the RICO statement pertain to one action of fraud.

The Plaintiffs have not adequately alleged a pattern of racketeering. They contend that over the course of several years, the Defendants worked to obtain information from them. This is a garden variety fraud action. The Defendants allegedly worked together to defraud Park & Chun of their rights to the Invention and corresponding patents. There is only one Invention and one scheme present. Where there is a single fraudulent scheme, there can be no pattern of racketeering activity. Medallion Telev. Enters. v. SelecTV of California, Inc., 833 F.2d 1360 (9th Cir. 1988). To construe this action as a RICO case would convert many straightforward fraud and breach of contract cases into RICO claims. The Court declines to stretch the statute to that level. Congress intended RICO to address long-term criminal conduct associated with organized crime, not fraud allegations that belong in state courts. Id. at 1365.

III. CONCLUSION

For the foregoing reasons, the Court dismisses the RICO claim and remands the state claims and this action.

IT IS SO ORDERED.

Dated: 6-9-06

DEAN D. PREGERSON
United States District Judge

APPENDIX C

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1522

HIF BIO, INC.

and BIZBIOTECH CO., LTD.,

Plaintiffs-Appellees,

v.

YUNG SHIN PHARMACEUTICALS INDUSTRIAL CO., LTD. (doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co. Ltd.), YUNG ZIP CHEMICAL CO., LTD., FANG-YU LEE, and CHE-MING TENG,

Defendants,

and

CARLSBAD TECHNOLOGY, INC.,

Defendant-Appellant,

and

FISH AND RICHARDSON P.C., and Y. ROCKY TSAO,

Defendants.

Appeal from the United States District Court for the Central District of California in case no. 05-CV-07976, Judge Dean D. Pregerson.

ORDER

NOTE: This order is nonprecedential.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on February 15, 2008.

FOR THE COURT,

Jan Horbaly
Clerk

Dated: 02/08/2008

cc: Glenn W. Rhodes
Bub-Joo S. Lee

HIF BIO V YUNG SHIN PHARMA, 2006-1522
(DCT - 05-CV-07976)

APPENDIX D

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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA - WESTERN DIVISION

HIF BIO, INC., a California corporation; and BIZBIOTECH CO. LTD., a corporation organized under the laws of the Republic of Korea, Plaintiffs, vs. YUNG SHIN	CASE NO. CV 05-7976-DDP [Originally filed on **September 27, 2005** in California Superior Court, County of Los Angeles, as Case No. BC340468. Removed by Defendants on **November 8, 2005** | FIRST AMENDED

PHARMACEUTICALS INDUSTRIAL CO. LTD., a corporation organized under the laws of Taiwan, d/b/a YUNG SHIN PHARMACEUTICALS, d/b/a YUNG SHIN PHARM. IND. CO., LTD.; CARLSBAD TECHNOLOGY, INC., a California corporation; YUNG ZIP CHEMICAL CO., LTD., a corporation organized under the laws of Taiwan; FISH & RICHARDSON P.C., a professional corporation of unknown nature; FANG-YU LEE, an individual; CHE-MING TENG, an individual; Y. ROCKY TSAO, an individual; and DOES 1 through 10, inclusive,

Defendants

COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF FOR:

(1) DECLARATORY JUDGMENT ON OWNERSHIP;
(2) DECLARATORY JUDGMENT ON INVENTORSHIP;
(3) RICO [18 U.S.C. § 1961 ET SEQ.];
(4) SLANDER OF TITLE;
(5) CONVERSION;
(6) ACTUAL AND CONSTRUCTIVE FRAUD;
(7) INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE;

[Cont'd Next Page]

(8) NEGLIGENT INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE;

(9) UNFAIR COMPETITION AND FRAUDULENT BUSINESS PRACTICES [CAL. BUS. & PROF. C. § 17200 ET SEQ.];

(10) BREACH OF IMPLIED CONTRACT;

(11) UNJUST ENRICHMENT-CONSTRUCTIVE TRUST; AND

(12) PERMANENT INJUNCTION

[DEMAND FOR JURY TRIAL]

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FIRST AMENDED COMPLAINT

INTRODUCTION

1. PLAINTIFFS HIF BIO, INC. ("HIF BIO") and BIZBIOTECH CO. LTD. ("BIZBIOTECH") (collectively, "PLAINTIFFS") bring this action for (1) Declaratory Judgment on Ownership; (2) Declaratory Judgment on Inventorship; (3) Violation of Racketeer Influenced and Corrupt Organizations Act [18 U.S.C. § 1961 et seq.]; (4) Slander of Title; (5) Conversion; (6) Actual and Constructive Fraud; (7) Intentional Interference with Contractual Relations and Prospective Economic Advantage; (8) Negligent Interference with Contractual Relations and Prospective Economic Advantage; (9) Unfair Competition and Fraudulent Business Practices [Cal. Bus. & Prof. C. § 17200 et seq.]; (10) Breach of Implied Contract; (11) Unjust Enrichment-Constructive Trust; and (12) Permanent Injunction, against a group of business entities and individuals that have falsely claimed to be the inventors/discoverers of a novel, anti-cancer therapeutic applications of a compound known as YC-1, and have conspired to misappropriate the invention/discovery and the opportunities for commercial exploitation of the same, to the detriment of the true inventors/discoverers and their assignees, and with the specific intent to prevent them from commercializing the said invention.

JURISDICTION AND VENUE

2. Jurisdiction is proper in this Court with respect to the Third Claim of Relief, which is brought

under 18 U.S.C. § 1961 *et seq.* Supplemental jurisdiction is proper under 28 U.S.C. § 1376(a) with respect to the Fourth through Twelfth Claims of Relief, which arise under California common and/or statutory law, as well as the First and Second Claims of Relief for equitable declaratory relief. PLAINTIFFS also allege, in the alternative, that jurisdiction with respect to the First and Second Claims of Relief is also proper under 28 U.S.C. § 2201(a) and 28 U.S.C. § 1338.

3. Venue in this judicial district is also proper, in that Plaintiff HIF BIO is a corporation organized under the laws of the State of California with its principal place of business within this district, and the acts and omissions of Defendants, and each one of them, injured PLAINTIFFS HIF BIO and BIZBIOTECH within this district, and damage to personal property occurred in this district.

PARTIES

4. Plaintiff HIF BIO, INC. ("HIF BIO") is a corporation organized under the laws of the State of California, with its principal place of business located at 1650 Quail Street, Upland, CA 91784. As alleged in greater detail hereinbelow, HIF BIO is in the business of commercializing, marketing, and managing the development of YC-1 for anti-angiogenic, anti-cancer therapeutic applications. HIP BIO is the assignee of all rights to the INVENTION, as defined hereinbelow in Paragraph 22 of this First Amended Complaint, and to all claims for relief set forth in the First Amended Complaint, as a result of an assignment of rights

from BIZBIOTECH to HIF BIO, and the prior assignment of rights from Professor Jong-Wan Park and Yang-Sook Chun to BIZBIOTECH.

5. Plaintiff BIZBIOTECH CO. LTD. ("BIZBIOTECH") is a corporation organized under the laws of the Republic of Korea, with its principal office located in Seoul, South Korea, and a local office formerly located in Arcadia, California.

6. PLAINTIFFS are informed and believe, and thereon allege, that Defendant YUNG SHIN PHARMACEUTICALS INDUSTRIAL CO. LTD., d/b/a YUNG SHIN PHARMACEUTICALS, d/b/a YUNG SHIN PHARM. IND. CO., LTD. ("YUNG SHIN"), is a corporation organized under the laws of Taiwan, Republic of China.

7. PLAINTIFFS are informed and believe, and thereon allege, that Defendant CARLSBAD TECHNOLOGY, INC. ("CARLSBAD TECHNOLOGY") is a corporation organized under the laws of the State of California.

8. PLAINTIFFS are informed and believe, and thereon allege, that Defendant YUNG ZIP CHEMICAL CO., LTD. ("YUNG ZIP") is a corporation organized under the laws of Taiwan, Republic of China.

9. PLAINTIFFS are informed and believe, and thereon allege, that Defendant FISH & RICHARDSON P.C. ("F&R") is a business entity of unknown nature with multiple offices in the State of California.

10. PLAINTIFFS are informed and believe, and thereon allege, that Defendant FANG-YU LEE ("FANG-YU LEE"), is an individual who is resident of Taiwan, Republic of China. PLAINTIFFS are further informed and believe, and thereon allege, that Defendant FANG-YU LEE is the Chief Executive Officer or President, and General Manager of YUNG SHIN, and a member of the Board of Directors of CARLSBAD TECHNOLOGY.

11. PLAINTIFFS are informed and believe, and thereon allege, that Defendant CHE MING TENG ("TENG"), is an individual who is resident of Taiwan, Republic of China. PLAINTIFFS are further informed and believe, and thereon allege, that TENG is affiliated with the Pharmacological Institute of the College of Medicine, National Taiwan University, Taipei, Taiwan. PLAINTIFFS are further informed and believe, and thereon allege, that TENG is Program Director of National Science and Technology Program for Biotechnology and Pharmaceuticals formed by National Science Council to coordinate the activities of National Science Council, Ministry of Economic Affairs and Department of Health and Industry.

12. PLAINTIFFS are informed and believe, and thereon allege, that Defendant Y. ROCKY TSAO ("TSAO"), is an individual who is resident of the State of Massachusetts. PLAINTIFFS are further informed and believe, and thereon allege, that Defendant TSAO is a partner or principal of F&R, and/or holds an equity interest in F&R.

13. PLAINTIFFS is ignorant of the true names and capacities of the defendants sued herein as DOES 1 through 10, inclusive, and therefore sues those defendants by fictitious names. PLAINTIFFS will amend this First Amended Complaint to allege the true names and capacities of DOES 1 through 10, inclusive, when it has ascertained the same. PLAINTIFFS are informed and believe, and thereon allege, that DOE Defendants 1 through 10, inclusive, were and are responsible in some manner for the acts, events, occurrences, and obligations alleged in this First Amended Complaint, and for the losses incurred by PLAINTIFFS as a result of the actions alleged herein. PLAINTIFFS are further informed and believe, and thereon allege, that at all relevant times, all named Defendants and DOE Defendants 1 through 10, inclusive, were acting as agents, employees, representatives, partners, principals, and/or co-conspirators of and with one another, and in doing the things hereinafter alleged were acting within the course and scope of such relationship(s).

14. PLAINTIFFS are informed and believe, and thereon allege, that DOE Defendants 1 through 10, inclusive, were and are acting in concert with, and/or were and are co-conspirators with, Defendants YUNG SHIN, CARLSBAD TECHNOLOGY, F&R, FANG-YU LEE, TENG, and TSAO. PLAINTIFFS further allege upon information and belief that DOE Defendants 1 through 10, inclusive, willfully and knowingly aided and abetted one or more Defendants engaged in conduct or scheme injurious to PLAINTIFFS as alleged in this First Amended Complaint, even though each such DOE Defendant knew, or should

have known through exercise of reasonable care, that Defendants YUNG SHIN, CARLSBAD TECHNOLOGY, F&R, FANG-YU LEE, TENG, and TSAO were unlawfully converting and misappropriating assets, properties, and rights of HIF BIO and/or BIZBIOTECH, were conspiring with each other to carry out the said conversion and misappropriation, and/or were otherwise causing injury to HIF BIO and/or BIZBIOTECH, and the injury occurred within the State of California.

15. Whenever reference is made in this First Amended Complaint to any act, deed, or transaction of any corporation, organization, partnership, or joint venture (an "entity"), the allegation means that the entity engaged in the act, deed, or transaction by or through its officers, directors, agents, partners, employees, managers, or representatives while they were actively engaged in the management, direction, control, or transaction of the entity's business or affairs. PLAINTIFFS are informed and believe, and thereon allege, that corporations, organizations, partnerships, joint ventures, and other business organizations named as defendants in this First Amended Complaint were acting through the individual defendants named herein. Unless expressly alleged otherwise, the individual defendants were at all pertinent times owners, principals, members, managing members, officers, directors, managers, or managing agents of the entity defendants which ratified, approved, and authorized the acts of their agents.

FACTS COMMON TO ALL CLAIMS OF RELIEF

A.

DISCOVERY OF ANTI-CANCER APPLICATIONS OF YC-I BY PROFESSORS JONG-WAN PARK AND YANG-SOOK CHUN

16. "YC-1", which YUNG SHIN describes as 1-benzy1-3-(5'-hydroxymethyl-2'-furyl)indazole, and HIP BIO has named 3-(5'-hydroxymethyl-2'-fury1)-1-benzylindazole), is a compound originally developed for potential application to circulatory disorders that inhibit platelet aggregation and vascular contraction.

17. PLAINTIFFS are informed and believe, and thereon allege, that commencing sometime in the 1990's, YUNG SHIN was involved in the synthesis and evaluation of YC-1, hoping that YC-1 would have similar effects and application as sildenafil citrate (commonly known as "Viagra"™), but that at that time, neither YUNG SHIN nor any of the other Defendants were aware of the novel, anti-cancer properties of YC-1, described in greater detail hereinbelow.

18. PLAINTIFFS further allege upon information and belief that the compound YC-1 and its use are not protected by a United States Patent, and that during the time period relevant to this action, YC-1 could be purchased (and can still be purchased) without restrictions from biochemical material suppliers such as Alexis Corporation,

Biomol, and Sigma-Aldrich Inc., as well as YUNG SHIN.

19. Sometime in 1999, Professor Jong-Wan Park ("JW PARK") and Yang-Sook Chun ("YS CHUN"), young researchers affiliated with the Department of Pharmacology, Seoul National University College of Medicine, located in Seoul, Korea (collectively, the "INVENTORS"), began to investigate the effect of YC-1 on a protein complex known as HIF-1.

20. Hypoxia-inducible factor 1 alpha (HIF-1α), a component of HIF-1, is expressed in human tumors, and renders tumor cells able to survive and grow under hypoxic (low-oxygen) conditions by inducing the growth of additional blood vessels that nourish the rapidly growing tumor mass.

21. JW PARK and YS CHUN hypothesized in 1999 that YC-1 could be used to inhibit the activity of HIF-1, which would have the effect of suppressing *angiogenesis*, that is, the growth of blood vessels into animal tumors, and thereby kill the tumor by starving it of oxygen and nutrients. This was a novel insight with respect to YC-1, its properties and potential applications. At that time, YUNG SHIN, FANG-YU LEE, TENG and the other Defendants named in this First Amended Complaint had not considered YC-1's effect on HIF-1 and were not aware of the same, and none of the Defendants had conducted any experiment or gathered any experimental data on YC-1's effect on HIF-1, or its potential anti-angiogenic and anti-cancer properties.

22. Between November 1999 and March 2000, JW PARK and YS CHUN conducted a series of laboratory experiments that confirmed that YC-1 in fact inhibits HEF-1 activity *in vitro*, that is, in test tube experiments. From their test results, JW PARK and YS CHUN deduced, and confirmed, that YC-1 could in fact be used to suppress tumor growth in live animals and humans, by blocking HIF-1α, and the biochemical mechanism whereby tumor cells normally induce the growth of blood vessels, and thereby starving the rapidly growing tumor mass of oxygen and nutrients. Based on the foregoing, JW PARK and YS CHUN confirmed that YC-1 had the potential to become the first anti-angiogenic, anti-cancer agent to target HIF-1 (collectively, the "INVENTION"). PLAINTIFFS allege upon information and belief that the foregoing properties and application of YC-1 were novel, and not previously known to YUNG SHIN, the original developer of YC-1, or to other Defendants named herein.

23. Professor JW PARK submitted his results concerning YC-1's suppression of HIF-1 to an academic journal on or about May 23, 2000. The ground breaking paper disclosed the anti-angiogenesis and anti-cancer properties of YC-1. The paper was accepted for publication by the editors of Biochemical Pharmacology in or about August 2000, and it was subsequently published in Biochemical Pharmacology 61, at 947-54 (2001).

24. Sometime around September 2000, shortly after their first YC-1 paper was accepted for publication and after they gathered additional

supplies of YC-1, JW PARK and YS CHUN began to experiment with YC-1 *in vivo*, that is, in live laboratory animals, to further validate their hypothesis and confirm the results of the *in vitro* studies. JW PARK and YS CHUN injected YC-1 into "nude" lab animals (that is, lab rats with suppressed immune systems) seeded with tumors. These experiments were arduous and took six (6) to eight (8) months to complete, The results of the *in vivo* studies using live lab animals further confirmed JW PARK and YS CHUN's original hypothesis. Among other things, they verified that YC-1 in fact inhibits the activity of HIF-1α, and that injecting YC-1 into lab animals seeded with tumors blocked angiogenesis and noticeably inhibited tumor growth.

25. On September 27, 2001, JW PARK and YS CHUN filed a Korean patent application disclosing their INVENTION, including the novel anti-angiogenic, anti-cancer application of YC-1 (Korean Pat. App. Ser. No. KR 10-2001-0060054), "Pharmaceutical Composition which Contains YC-1 as Effective Component") (the "KR 10-2001-0060054 Application"). The KR 10-2001-0060054 Application, the first patent ever to claim YC-1 as an anti-angiogenic, anti-cancer agent, was published on November 9, 2001.

26. Professor JW PARK submitted the results of the *in vivo* study to the Journal of National Cancer Institute in or about September 2002. The paper was accepted and subsequently published in Journal of National Cancer Institute, Vol. 95, No. 7, at 516-25 (2003). The Journal of National Cancer Institute article triggered a flurry of research

targeting suppression of HIF-1α with YC-1 and its analogues as a potential avenue for treating cancer, and to this date the article continues to be cited by a variety of sources.

27. On April 7, 2003, JW PARK and YS CHUN filed a U.S. patent application disclosing the anti-angiogenic, anti-cancer application of YC-1 (U.S. Pat. App. Ser. No. 10/407,136, "Method for Inhibiting Tumor Angiogenesis and Tumor Growth") (the "U.S. '136 Application").

28. On or about July 2, 2003, JW PARK and YS CHUN assigned all of their rights relating to YC-1 to BIZBIOTECH Co., Ltd. ("BIZBIOTECH"), with the goal of commercializing YC-1 as an anti-angiogenic, anti-cancer agent. BIZBIOTECH is a business entity organized under the laws of Korea, with an U.S. office formerly located at 915 Fairview Avenue, Suite 17, Arcadia, CA 91007.

29. On or about February 21, 2005, BIZBIOTECH assigned all of its rights with respect to YC-1 to HIF BIO, a California corporation based in Upland, California, with the further intent of accelerating the commercialization of YC-1 as an anti-angiogenic, anti-cancer agent.

30. As a result of the foregoing assignments, HIF BIO holds all rights previously held by JW PARK, YS CHUN, and BIZBIOTECH with respect to the INVENTION and application of YC-1 as an anti-cancer, anti-angiogenesis agent.

B.

DEFENDANTS YUNG SHEN AND TENG'S LIMITED ROLE IN SUPPLYING EXPERIMENTAL BATCHES OF YC-1

31. Defendants are not the inventors/discoverers of the INVENTION. During the 1999-early 2000 time period, while Professor JW PARK and YS CHUN were engaged in the invention/discovery of YC-1's novel properties and applications, Defendants did not know about such novel properties and potential applications for YC-1, and they had not conducted any experiments or studies regarding the same.

32. Sometime in 1999, Professor JW PARK contacted Defendant TENG and obtained from him batches of YC-1 for experimental use. PLAINTIFFS are informed and believe, and thereon allege, that Professor JW PARK contacted TENG because of, among other things, TENG's prior role in the synthesis and development of YC-1, his general familiarity with the compound, and his relationship with Defendant YUNG SHIN, a major supplier of YC-1.

33. Between November 1999 and August 2001, at Professor JW PARK's request, Defendant TENG supplied JW PARK with four (4) batches of YC-1 to be used by JW PARK and YS CHUN in their experiments. PLAINTIFFS are informed and believe that TENG obtained the batches of YC-1 from YUNG SHIN and FANG-YU LEE, with whom TENG had a prior relationship as exemplified by YUNG SHIN's

U.S. Patent No. 5,574,168, on which TENG is listed as a co-inventor.

34. Prior to Professor JW PARK's communications with Defendant TENG, Defendants did not know and did not consider the anti-angiogenic, anti-cancer properties of YC-1. Until he was informed by JW PARK, TENG did not even know for what purposes the batches of YC-1 that he was supplying to JW PARK would be used.

35. In the spirit of academic cooperation and in order to return the favor granted by Defendant TENG by supplying batches of YC-1 for experimental use, Professor JW PARK offered to share, and did share, with TENG the nature and substance of JW PARK's ideas and studies involving YC-1, and the preliminary results of his experiments and the data generated by the same. JW PARK also offered to add TENG as another co-author to his ground-breaking papers on the anti-angiogenic, anti-cancer properties of YC-1.

36. Professor JW PARK treated Defendant TENG as a senior scholar and colleague, and provided him in good faith with pre-publication drafts of his papers disclosing the results of his *in vitro* and *in vivo* studies which showed the novel anti-angiogenic, anti-cancer properties of YC-1.

37. PLAINTIFFS are informed and believe, and thereon allege, that Defendant TENG shared the ideas, concepts, experiments, and experimental data provided to him by JW PARK with Defendants,

including, without limitations, Defendants YUNG SHIN and FANG-YU LEE.

38. Each time when Professor JW PARK disclosed his ideas, concepts, experiments, and experimental data to Defendant TENG and other Defendants, and offered to name Defendant TENG as one of the co-authors of his papers, it was understood and agreed between and among the parties that, among other things, TENG and other Defendants (a) would not falsely claim to be the inventors/ discoverers of the novel applications and properties of YC-1 as alleged hereinabove; (b) would not misappropriate the opportunity to commercialize YC-1 and other analogue compounds targeting HIF-1α for their anti-angiogenic, anti-cancer properties; (c) would not interfere with JW PARK and YS CHUN's, and their assignee's and successors-in-interest's, opportunities and efforts to commercialize YC-1 and its analogues for their novel properties and applications; (d) would not defame or diminish the reputation and the accomplishments of the true inventors/discoverers of the novel properties and applications of YC-1; and (e) would abide by the highest standards of ethics and professionalism prevalent within the academic community with respect to the ownership and inventorship/discovery of the novel applications and properties of YC-1.

39. Prior to the disclosures made by Professor JW PARK with respect to YC-1 anti-angiogenic properties, Defendants did not know and had not considered the potential anti-angiogenic, anti-cancer applications for the compound, as admitted by TENG as follows:

(a) On or about November 24, 1999, JW PARK told TENG via electronic mail:

> "Thank you for your sending YC-1 to me.... I am trying to treat hypoxic or normoxic cells with the compound";

(b) On or about January 21, 2000, JW PARK disclosed to TENG via electronic mail that:

> "We examined whether YC-1 can affect the oxygen-sensing pathway. We got very good results about that. YC-1 dramatically inhibits the hypoxic accumulation of HIF-la [alpha] protein which is a key transcription factor for hypoxic induction of a variety of genes...." (Emphasis added).

> "We need more YC-1 to complete this work. Could you send it to me?.... I confirm you will be an [sic] co-author in this paper. Actually, I can finish this work up and prepare the manuscript in 3 months. Please, revise the manuscript later."

(c) On or about January 26, 2000, TENG told JW PARK via electronic mail:

> "I believe it will be a good idea using YC-1 to study the hypoxic accumulation of HIF-1a."

(d) On or about April 17, 2000, JW PARK informed TENG via electronic mail that "I just finished the work and paper regarding to YC-1 and Hypoxia. As I told you, if you join to this work as a co-author, that will be great." TENG replied that same day, stating:

> "... I am pleased that you have finished the study of YC-1. You can send the manuscript to the address below or even via e-mail as an attached file. Thank you again to share the authorship with you in this paper." (Emphasis added).

(e) On or about May 1, 2000, JW PARK sent to TENG the draft manuscript of his YC-1 study. The manuscript, preliminarily entitled "YC-1 blocks the hypoxic accumulation of hypoxia-inducible factor (HIF)-1α, inhibiting erythropoietin induction in hypoxia Hep3B cells," concluded that:

> "This observation [from the *in vitro* study] implies that the hypoxic response inhibition of YC-1 can be developed to suppress EPO-overproduction by tumor cells and tumor angiogenesis." (Emphasis added).

(f) On or about August 8, 2000, JW PARK wrote to TENG:

> "We finished revising the YC-1 manuscript and data [concerning the *in vitro* experiments].... I think we should share all data for publication and presentation.... For the next project, I plan to study the anticancer effect of YC-1. We can use cultured cells but I think the in-vivo study is better to see its anticancer effect. I am preparing the animal model. In this project, we can make a good cooperation too.... I would like to ask your favor. Could you supply YC-1 again? I guess we need more YC-1 because we inject it into mouse. If YC-1 is available, please let me know that." (Emphasis added).

(g) On or about August 24, 2000, TENG congratulated JW PARK as follows:

> "I am very sorry for the delay response to you because I just came back 3 days ago after a one-month vacation from the United States. Congratulations for the acceptance of the YC-1 paper. I read it and find you have done an excellent work. Probably YC-1 can be a new tool or agent for the

> study of blood- or angiogenesis-related tumor growth or metastasis. I am very happy and honor [sic] to share the authorship in this paper.... Assuming the doses you will use [in the new animal studies] are 10 and 30 kg/kg [sic], how much YC-1 is needed for your [sic] in vivo study? Then I can to discuss with Yung-Shin Pharmaceutic Co. about the possible cooperation." (Emphasis added).

(h) On or about August 29, 2000, TENG further replied to JW PARK:

> "Yung-Shin Pharmaceutic Co. has giving me an answer. The company is pleased to supply you a material about 1 gram for this cooperation study. For this new project, I would suggest you to put Fang Yu Lee (President of Yung Shin) as one of the author, and you don't need to consider my authorship. How is your opinion? If you agree, I will send you 150 mg YC-1 foryour preliminary test." (Emphasis added).

(i) On or about August 30, 2000, JW PARK agreed to add FANG-YU LEE as a co-author in his next paper on YC-1, in exchange for another batch of YC-1:

> "Thank you so much for your quick answer. I am really pleased to work together with you and the president of Yung-Shin. Since this work will be cooperatively done, I am happy to put you and Dr. Lee as co-authors in the next paper."

(j) On or about September 10, 2000, TENG wrote to JW PARK:

> "Thank you for informing me that YC-1 has arrived in your office safely. We appreciate <u>your</u> detail [sic] and clever design for the future experiments." (Emphasis added).

(k) On or about July 5, 2001, JW PARK wrote to TENG and further described his discovery with respect to YC-1's novel anti-cancer properties. JW PARK also sent TENG the not yet public experimental data from JW PARK's *in vivo* experiments:

> "How are you doing?... We confirmed that YC-1 suppressed HIF-1 responses very well in both cell lines.... [W]e subcutaneously injected Hep3B cells for testing tumor suppressive effect of YC-1 in vivo. .... After one day, we treated the mice with YC-1... and stopped the treatment later.

> After 25 days, the tumor could be grossly detected. We checked the volume of tumors and compared between control group and YC-1 group. The result is attached as a PDF file here. Hep3B tumor growth is retarded by initial treatment of YC-1. As you can see the result, it is possible that YC-1 is developed as a anticancer agent...." (Emphasis added).

(l) On or about July 28, 2001, TENG wrote to JW PARK:

> "You firstly suggest [sic] the possibility of anti-cancer effect of YC-1 to me and also to the public, but we have to show it again in our further paper as possible as we can [sic]." (Emphasis added).

(m) On or about May 7, 2002, after JW PARK suggested that, per their prior arrangement, TENG could be added as a co-author of the new, groundbreaking paper on the effect of YC-1 in suppressing tumor growth in lab animals, TENG wrote to JW PARK:

> "I am sorry for the delayed response to you because President Lee [FANG-YU LEE] has been abroad during the last two weeks. After discussion, both of us think that we contribute

> [sic] only minor in your study.... We decided not to be coauthors of your excellent paper. However, we are pleased to send you YC-1 as a gift for your study." (Emphasis added).

C.

DEFENDANTS' FRAUDULENT SCHEME TO MISAPPROPRIATE THE INVENTORSHIP OF YC-1 AS AN ANTI-ANGIOGENIC, ANTI-CANCER AGENT AND THE BUSINESS OPPORTUNITIES ASSOCIATED WITH THE SAME

40. PLAINTIFFS are informed and believe, and thereon allege, that Defendant YUNG SHIN is the largest indigenous drug manufacturer in Taiwan. PLAINTIFFS are further informed and believe, and thereon allege, that YUNG SHIN's primary line of business is, and have been, production and sale of generic drugs, as well as production and sale of proprietary drugs under licenses from third party U.S. and European biopharmaceutical companies. PLAINTIFFS allege on information and belief that because YUNG SHIN's current line of business generates relatively low profit margins, YUNG SHIN and its chief executive FANG-YU LEE have been on the lookout for "blockbuster" drugs to which they could claim proprietary rights, including patent rights, and market at high profit margins.

41. PLAINTIFFS are informed and believe, and thereon allege, that in their quest to develop a

portfolio of proprietary drugs that could be sold more profitably, Defendants YUNG SHIN and FANG-YU LEE poured tens of millions of dollars over the past fifteen (15) years into drug research and development initiatives, startup ventures, startup drug development companies, and joint research and development relationships in the United States, including California.

42. PLAINTIFFS are further informed and believe, and thereon allege, that YUNG SHIN's and FANG-YU LEE's efforts to this date have been a failure, in that in spite of YUNG SHIN's massive capital investments, YUNG SHIN and FANG-YU LEE have not been able to develop and commercialize a "blockbuster" drug to which they could claim proprietary rights.

43. PLAINTIFFS are informed and believe, and thereon allege, that sometime in late 1999, shortly after Defendant TENG first learned from Professor JW PARK the novel anti-angiogenic, anti-cancer applications of YC-1, TENG shared the information and data that he received from JW PARK with Defendants, including YUNG SHIN and FANG-YU LEE.

44. PLAINTIFFS are informed and believe, and thereon allege, that in order to shore up their own failed proprietary drug development initiatives and mask their failure to develop even one "blockbuster" drug that they could call their own, Defendants YUNG SHIN, FANG-YU LEE, and TENG intentionally and maliciously made the business decision in late 1999 or early 2000 to falsely

claim that FANG-YU LEE and TENG were the inventors/discoverers of the novel anti-angiogenic, anti-cancer application of YC-1 and its analogues targeting HIF-lα as anti-cancer drugs, and to misappropriate the business opportunities associated with the commercialization of YC-1 and its analogues as anti-cancer agents.

45. PLAINTIFFS are further informed and believe, and thereon allege, that commencing sometime in late 1999 or early 2000, YUNG SHIN, FANG-YU LEE, and TENG schemed to (a) misappropriate from JW PARK and YS CHUN the inventorship/discovery of the novel properties and applications of YC-1; (b) misappropriate from JW PARK, YS CHUN, and their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO) the opportunity to commercialize YC-1 and other analogue compounds targeting HEF-lα for their anti-angiogenic, anti-cancer properties; (c) interfere with JW PARK, YS CHUN, and their successors-in-interest and/or assignees' (including BIZBIOTECH and HIF BIO) ability to obtain patent protection in the United States and abroad for the invention/discovery concerning YC-1; (d) interfere with JW PARK, YS CHUN, and their successors-in-interest and/or assignees' (including BIZBIOTECH and HIF BIO) opportunities and efforts to commercialize YC-1 and its analogues for their novel anti-cancer properties and applications, and to obtain funding and/or enter into joint venture/partnership opportunities with larger biopharmaceutical companies; and (e) defame and diminish the reputation and the accomplishments of JW PARK and YS CHUN as the true

inventors/discoverers of the novel properties and applications of YC-1, and thereby cloud JW PARK, YS CHUN, and their successors-in-interest and/or assignees' (including BIZBIOTECH and HIF BIO) rights, benefits, and opportunities arising out of the said inventorship/discovery.

46. PLAINTIFFS are informed and believe, and thereon allege, that as part of their scheme to defraud and misappropriate properties, rights, and benefits rightfully belonging to JW PARK, YS CHUN, and their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO), Defendants YUNG SHIN, YUNG ZIP, FANG-YU LEE, and TENG caused numerous false and misleading statements to be made to JW PARK, which statements FANG-YU LEE, TENG, and other defendants knew, or should have known through exercise of reasonable care, to be patently false. Those statements were made under the direction and with the consent of YUNG SHIN and FANG-YU LEE, with the express intention to defraud and induce JW PARK and YS CHUN to disclose their ideas, experiments, experimental data, and non-public, pre-publication drafts of papers disclosing important novel applications of YC-1 to TENG, so that TENG, YUNG SHIN and FANG-YU LEE could take steps to misappropriate the same, to the detriment of JW PARK, YS CHUN, and their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO).

47. PLAINTIFFS are informed and believe, and thereon allege, that in order to carry out their unlawful scheme against JW PARK, YS CHUN, and

their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO), Defendants YUNG SHIN, FANG-YU LEE, and TENG also recruited and obtained the assistance and cooperation of the following additional Defendants, among others, with promises of financial benefits to be derived from the misappropriation and commercial exploitation of the INVENTION by YUNG SHIN, FANG-YU LEE, and TENG:

(a) CARLSBAD TECHNOLOGY, a California corporation engaged in trading chemicals, pharmaceuticals and natural herbal extracts, that agreed to work with YUNG SHIN, FANG-YU LEE and TENG to further develop, commercialize, sell and market YC-1 and its analogues as anti-angiogenic, anti-cancer drugs in the United States and in California;

(b) YUNG ZIP, an independent Taiwanese company controlled by Fang-Chen Lee, Defendant FANG-YU LEE's younger brother, that was to participate, and is participating, in the further development and commercialization of YC-1 and its analogues as anti-angiogenic, anti-cancer drugs, for a share of the profits from the commercialization of the same by YUNG SHIN and FANG-YU LEE; and

(c) TSAO, a U.S. patent attorney, and F&R, the law firm in which TSAO is a principal, that were to obtain patent protection for YC-1 on behalf of YUNG SHIN, FANG-YU LEE, and their designees and assignees, and prepare and submit to the U.S. Patent and Trademark Office of declarations and other submissions incorrectly stating or suggesting

that FANG-YU LEE and TENG were the inventors/discoverers of the INVENTION, and concealing the identities of the true inventors, even though they knew, or should have known. that such submissions, prior to and following their publication, would disrupt or interfere with the true inventors' and their assignees' ability to obtain patent protection for the INVENTION, deny them the ability to commercialize the INVENTION, and interfere with their ability to raise funds and obtain investments.

48. PLAINTIFFS are informed and believe, and thereon allege, that each Defendant identified in the preceding paragraph willfully and intentionally agreed to participate in the aforementioned fraudulent and unlawful scheme, and carried out the said scheme against JW PARK, YS CHUN, and their successors-in-interest and/or assignees (including HIF BIO), in exchange for monetary compensation and/or promises of shares in the revenues and/or profits to be derived from YUNG SHIN, FANG-YU LEE, and/or TENG's commercial exploitation of YC-1 and its analogues as anti-cancer agents.

49. By way of example only, and without limitations, Defendants made numerous false and misleading statements to JW PARK, YS CHUN, their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO), and third parties by way of interstate wire facilities, including telephone and Internet lines, even though said Defendants knew, or should have known through exercise of reasonable care, that the foregoing statements were materially false. Those statements

included, without limitations, representations that YUNG SHIN, FANG-YU LEE, and TENG would work "cooperatively" with JW PARK, and would supply YC-1 to JW PARK in exchange for the "honor" of shared co-authorship in the papers disclosing the anti-angiogenic, anti-cancer properties of YC-1, along with access to the early drafts of the said papers and the underlying experimental results, presumably for the purposes of commenting to the said draft papers. Defendants' statements were false and misleading, in that in truth Defendants intended to obtain from JW PARK as much information as possible concerning the novel properties and applications of YC-1 as quickly as possible, not for any "cooperative" purposes, but in order to make a competing claim of inventorship/discovery and ownership with respect to the novel anti-cancer properties of YC-1, including the filing competing patent applications.

50. Defendants also made numerous other false and misleading statements to BIZBIOTECH and HIF BIO by way of interstate wire facilities, including telephone and Internet lines. Those false representations included statements, directed to HIF BIO and representatives of BIZBIOTECH located within California, that YUNG SHIN, YUNG ZIP, FANG-YU LEE, and other defendants were interested in evaluating and entering into a cooperative business arrangement, including joint venture, strategic partnership, or other similar collaborative relationship, with HIF BIO and/or BIZBIOTECH, and inducing PLAINTIFFS to meet with Defendants in Taiwan and in California to discuss such collaborative arrangements as well as HIF BIO and BIZBIOTECH's competition-sensitive

business plans and development strategy with respects to YC-1.

FRAUDULENT STATEMENTS MADE TO PROFESSOR JW PARK

51. Defendants' false and misleading statements, and omissions of material fact, included the following representations made through interstate and/or international wire facilities, in furtherance of Defendants' tortious scheme:

(a) On or about April 17, 2000, JW PARK informed TENG via electronic mail that "I just finished the work and paper regarding to YC-1 and Hypoxia. As I told you, if you join to this work as a co-author, that will be great."

(b) TENG replied that same day, via electronic mail transmitted through international wire lines, as follows:

> "... I am pleased that you have finished the study of YC-1. You can send the manuscript to the address below or even via e-mail as an attached file. Thank you again to share the authorship with you in this paper."

(c) Relying upon TENG's email and his expressions of good faith and cooperation, and believing that they would work together on the publication of the YC-1 study and that TENG would not attempt to mischaracterize or misappropriate JW

PARK's discovery of the novel anti-cancer properties of YC-1, on or about May 1, 2000 Professor JW PARK sent to TENG the draft manuscript of his YC-1 study, noting:

> "Here, I am sending the file (MS Word) containing the YC-1 manuscript.... I am happy to work with you and would like to keep good cooperation [sic]."

(d) On or about July 5, 2000, TENG wrote to JW PARK via electronic mail transmitted through international wire lines:

> "1 am pleased that our paper of YC-1 has been accepted by Biochem. Pharmacol. [the journal "Biochemical Pharmacology"]. <u>You have done an excellent work, indeed. I believe we will have continued and fruitful cooperation in the future</u>. If any help I can do, please don't hesitate to tell me." (Emphasis added).

(e) On or about August 8, 2000, JW PARK wrote to TENG:

> "We finished revising the YC-1 manuscript and data [concerning the *in vitro* experiments].... I think we should share all data for publication and presentation.

> Here, I send the final figures by attached file (MS power point).... I appreciate your kind cooperation again.... For the next project, I plan to study the anticancer effect of YC-1. We can use cultured cells but I think the in vivo study is better to see its anticancer effect. I am preparing the animal model. In this project, we can make a good cooperation too.... I would like to ask your favor. Could you supply YC-1 again? I guess we need more YC-1 because we need to inject into mouse. If YC-1 is available, please let me know that."

(f) TENG wrote to JW PARK via electronic mail transmitted through international wire lines on or about August 24, 2000:

> "Congratulations for the acceptance of the YC-1 paper. I read it and find you have done an excellent work. Probably YC-1 can be a new tool or agent for the study of blood- or angiogenesis-related tumor growth or metastasis. I am very happy and honor [sic] to share the authorship in this paper.... Assuming the doses you will use [in the new animal studies] are 10 and 30 kg/kg [sic], how much

> YC-1 is needed for your [sic] *in vivo* study? Then I can discuss with Yung-Shin Pharmaceutic Co. about the possible cooperation." (Emphasis added).

(g) On or about August 29, 2000, TENG further replied to JW PARK via electronic mail transmitted through international wire lines:

> "Yung-Shin Pharmaceutic Co. has giving me an answer. The company is pleased to supply you a material about 1 gram for this cooperation study. For this new project, I would suggest you put Fang Yu Lee (President of Yung Shin) as one of the author, and you don't need to consider my authorship. How is your opinion? If you agree, I will send you 150 mg YC-1 for your preliminary test." (Emphasis added).

(h) On or about August 30, 2000, JW PARK agreed to add FANG-YU LEE as a co-author in his next paper on YC-1, in exchange for another batch of YC-1:

> "Thank you so much for your quick answer. I am really pleased to work together with you and the president of Yung-Shin. Since this work will be cooperatively done, I am happy to

> put you and Dr. Lee as co-authors in the next paper."

(i) On or about September 10, 2000, TENG wrote to JW PARK:

> "Thank you for informing me that YC-1 has arrived to your office safely. We appreciate your detail [sic] and clever design for the future experiments."

(j) On or about October 30, 2000, TENG wrote to JW PARK via electronic mail, expressing YUNG SHIN and FANG-YU LEE's interest in Professor Park's YC-1 *in vivo* experiments:

> "How are you recently? I hope every thing is going well with you. Dr. Lee [FANG-YU LEE], President of Yung-Shin Pharmaceutical Co., is very concerned about your evaluation of YC-1 in tumor suppression. If your preliminary results proved that this study is feasible, we will send you more sample for continued experiments. Please don't hesitate to tell me if you need the sample." (Emphasis added).

(k) On or about November 1, 2000, JW PARK replied to TENG:

> "It's so nice to get your e-mail.... We are going to try tumor cell implantation after getting enough cells soon or later. If I get preliminary data, I will inform you soon. Until now, I don't need more YC-1. Thank you so much for your cooperation and please tell my thankful heart to Dr. Lee."

52. PLAINTIFFS are informed and believe, and thereon allege, that the aforementioned statements of good faith and cooperation made by TENG were false, in that upon learning from JW PARK, in late 1999-early 2000, of YC-1's previously overlooked anti-angiogenic, anti-cancer properties of YC-1, TENG immediately discussed the same with YUNG SHIN and FANG-YU LEE, in order to devise ways through which TENG could claim inventorship over Professor JW PARK's invention/discovery, and through which YUNG SHIN and FANG-YU LEE could gain control and ownership over the said invention/discovery and commercially exploit the same, to the detriment of the true inventors and their successors-in-interest and/or assignees, including, without limitations, preparing and filing patent applications falsely naming TENG and FANG-YU LEE as the inventors of the anti-cancer properties of YC-1, without referencing Professor JW PARK.

53. PLAINTIFFS are further informed and believe, and thereon allege, that when TENG made the foregoing statements, neither TENG nor YUNG

SHIN and FANG-YU LEE intended to recognize JW PARK's invention/discovery or his ownership to the same, and their true intention was to gain access to JW PARK's experimental data as soon as possible, in order to misappropriate the same for their own benefit and gain as alleged hereinabove.

54. PLAINTIFFS are informed and believe, and thereon allege, that by mid-2001, Defendants YUNG SHIN, FANG-YU LEE, and TENG's efforts to make a false claim of inventorship of the anti-angiogenic, anti-cancer properties of YC-1 were under way, in that Defendants had reviewed JW PARK's experimental data and were scheming to misappropriate the INVENTION for themselves:

(a) On or July 5, 2001, after completing arduous *in vivo* testing of YC-1 on lab animals, JW PARK wrote to TENG and provided a real time summary of his test results:

> "How are you doing? I am so sorry for the late response. [W]e subcutaneously injected Hep3B cells to the back sides of nude mice. After one day, we treated mice with YC-1.... We checked the volume of tumors and compared between control group and YC-1 group. The result is attached as PDF file here. Hep3B tumor growth is retarded by initial treatment of YC-1. As you can see the result, it is possible that YC-1 is developed as

> an anticancer agent.... So we need 300 mg YC-1 more to test this possibility." (Emphasis added).

(b) PLAINTIFFS are informed and believe, and thereon allege, that at this point, Defendants YUNG SHIN, FANG-YU LEE, and TENG were trying to catch up with Professor JW PARK, and for that reason TENG attempted to withhold the supply of YC-1 from his former colleague. TENG also attempted to suggest that there were other unnamed researchers in Taiwan conducting research along the same lines as JW PARK, and wrote as follows on or about July 20, 2001:

> "I am sorry for the delayed response because I just came back from France with my wife after two-week vacation. As I know, Yung-Shin thought that you might not continue your study, and they distributed the lg to other scientists in Taiwan. It may need time to reorder [YC-1].... The company assigned several institutes in Taiwan to perform its action on... carcinogenic system. One of my colleague in School of Pharmacy found it is a potent anti-angiogenesis agent... and also tested the anti-cancer action in vivo in PC-3 cell and Hep3B at 5 mg/kg.... I am not sure the

> company will supply you the material or not."

(c) JW PARK was taken by surprise by TENG's statement, and replied on or about July 22, 2001:

> "I am really shocked for hearing about the present situation. As you know, I am the very man who firstly suggests the possibility of the anti-angiogenic and anti-cancer effect of YC-1 after getting our in vitro results. So, you and the president of Yung-Shin Co. were made known [about the anti-cancer effect of YC-1] by me. I can prove this situation.... I strongly urge you to keep our promise. Because I believed you and the president were gentle men, I shared all my results and ideas with you...."

(d) On or about July 28, 2001, TENG replied to JW PARK via electronic mail transmitted through international wire lines:

> "Because many (more than ten) scientists in Taiwan are doing research on YC-1, most obtained from Yung-Shin and some from Biomol, Sigma or Alexis Co. However, Yung-Shin supplied the material to the companies, as I

> know. Even Yung-Shin doesn't know who are doing what application in the world (perhaps a paper about anti-cancer effect of YC-1 will publish tomorrow!).... The email hurt me because I am also the gentle man like you. You first suggested the possibility of anti-cancer effect of YC-1 to me and also to the public, but we have to show it again in our further paper as possible as we can.... If you still need the sample to continue our study, this Monday I will tell Yung-Shin the whole story, and ask them to keep the promise to supply us the sample again (300 mg), but Yung-Shin, not me, has the right to decide."

(e) On or about July 31, 2001, TENG attempted to appease JW PARK by pretending that business was back as usual, that is, the parties would continue to collaborate:

> "Mr. Chung, the manager of Yung-Shin Co., called me back this morning. They are willing to supply you 300 mg YC-1 within 10 days. I will send you immediately after I get it."

(f) On or about August 13, 2001, JW PARK, still believing in TENG's and YUNG SHIN's

good faith, replied to TENG and restated his understanding of the collaborative relationship between JW PARK, on the one hand, and TENG, YUNG SHIN, and FANG-YU LEE, on the other hand:

> "As you know, we can get YC-1 from Sigma or Calbiochem. And I have the research fund enough to buy it. But if we studies YC-1 independently of you, we would compete with you. Because I knew being friends is better than being careful, previously I made the decision to make collaboration with you.... Well, if you want to keep the co-work with us, that's OK. I am ordering nude mice for the next project. It's nice to work with you again."

(g) On or about August 17, 2001, TENG replied to JW PARK via electronic mail:

> "Dear Prof. Park, [n]ice to know you got the sample safely. Sincerely hoping your experiments will go through smoothly."

55. PLAINTIFFS are informed and believe, and thereon allege, that TENG was making the foregoing statements of good faith for himself and on behalf of YUNG SHIN and FANG-YU LEE under the direction of FANG-YU LEE, even though TENG and

other Defendants knew those statements to be false. At the time TENG was making these statement of good faith, TENG, YUNG SHIN, and FANG-YU LEE were secretly working on a draft patent application allegedly teaching the novel anti-angiogenic, anti-cancer applications of YC-1 discovered by JW PARK and YS CHUN, which application falsely named TENG and FANG-YU LEE as the inventors of the anti-cancer properties of YC-1, without referencing Professor JW PARK.

56. PLAINTIFFS are further informed and believe, and thereon allege, that on or about February 8, 2002, YUNG SHIN and FANG-YU LEE instructed TSAO and F&R to file a United States provisional patent application covering the novel anti-angiogenic, anti-cancer properties of YC-1, based on information provided by YUNG SHIN and TENG to TSAO, entitled "YC-1 Inhibits Angiogenesis In Vitro and In Vivo":

57. PLAINTIFFS are also informed and believe, and thereon allege, that on or about March 29, 2002, TSAO and F&R caused a U.S. Provisional Patent application to be filed on behalf of TENG, as U.S. Provisional Patent App. Ser. No. 60/368,892 (the "U.S. '892 Application"). The U.S. '892 Application (entitled "Angiogenesis Inhibitors" and purporting to disclose a "method for treating cancer") was submitted to the U.S. Patent and Trademark Office by Defendants TENG, TSAO, and F&R, and falsely and incorrectly identified TENG as the inventor of the novel anti-angiogenic, anti-cancer properties of YC-1.

58. Defendants concealed the filing of the U.S. '892 Application from JW PARK and YS CHUN, the true inventors of the INVENTION.

59. Unaware of TENG's filing of the U.S. '892 Application, which falsely identified FANG-YU LEE and TENG as the inventors of the INVENTION, JW PARK wrote to TENG on or about April 28, 2002, stating as follows:

> "Finally, we finished this project up with the best result and am preparing the manuscript to publish it to J. Nat'l Cancer Institute.... Anyway, I would like to include you and the president in Young-Shin company as co-authors, as I promised to you. Please let me know the exact name of the president in the company and his address. Thank you again for your kind help."

60. PLAINTIFFS are informed and believe, and thereon allege, that by then Defendants YUNG SHIN, FANG-YU LEE, and TENG no longer had an interest in being associated with JW PARK, because the said Defendants were trying to falsely claim that FANG-YU LEE and TENG, and not JW PARK, were the inventors/discoverers of the aforementioned novel application of YC-1. Therefore, on or about May 7, 2002, TENG wrote to JW PARK via electronic mail transmitted over international wire lines:

> "I am sorry for the delayed response to you because President Lee has been abroad during the last two weeks. After discussion, both of us think that we contributed only minor in your study.... We decided not to be coauthors of your excellent paper. However, we are pleased to send you YC-1 as a gift for your study."

61. PLAINTIFFS are informed and believe, and thereon allege that on or about May 16, 2002, TSAO and F&R caused a U.S. Patent application to be filed on behalf of YUNG SHIN, as U.S. Patent App. Ser. No. 10/147,445 (the "U.S. '445 Application"). In connection with the U.S. '445 Application, TENG and FANG-YU LEE executed and submitted false declaration(s) to the U.S. Patent and Trademark Office, claiming to be the inventors/discoverers of the novel anti-angiogenic, anti-cancer properties of YC-1, while omitting JW PARK and YS CHUN, as set forth in **Exhibit "A"** attached to this First Amended Complaint.

62. During this time period, Defendants continued to conceal from JW PARK, YS CHUN, and their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO), Defendants' filing of the said patent applications in the United States allegedly teaching the subject matter of JW PARK's invention/discovery.

FRAUDULENT STATEMENTS MADE DIRECTLY TO PLAINTIFFS BIZBIOTECH AND HIF BIO

63. On or about June 30, 2003, Mansung Michael Cho Ph.D., representing BIZBIOTECH, a startup company formed to coordinate the commercialization of YC-1 as an anti-cancer agent pursuant to a transfer of intellectual property rights over the YC-1 from Professors JW PARK and YS CHUN, contacted TENG from California and requested a meeting with TENG, YUNG SHIN, and FANG-YU LEE.

64. Relying upon TENG's prior communications and representations of good faith to Professor JW PARK, Mansung Michael Cho sought to further discuss the possibility of a collaborative or joint drug development venture between BIZBIOTECH and JW PARK, on the one hand, and YUNG SHIN and TENG, on the other hand. At this time, PLAINTIFFS were still unaware of the Defendants' true intentions with respect to YC-1, and did not know that Defendants had surreptitiously filed competing patent applications falsely naming FANG-YU LEE and TENG as the discoverers of the INVENTION.

65. TENG agreed to set up a meeting among the parties, and wrote to BIZBIOTECH's representative in California on or about July 18, 2003 via electronic mail transmitted over international and interstate wire lines as follows:

> "I hope you can accommodate this schedule [of TENG, for the proposed meeting]. I have got information that Yung-Shin Pharmaceutics Co. is happy to discuss all the possible cooperation for developing YC-1 and its series. However, if you can tell us your proposal... before you come to Taipei; it will be more convenient for the company to prepare appropriate presentation or information for discussion. Looking forward to hearing your information and welcome you to Taipei."

66. However, neither TENG nor YUNG SHIN or FANG-YU LEE disclosed to BIZBIOTECH or JW PARK that Defendants had already filed a patent application before the U.S. Patent and Trademark Office falsely identifying TENG and FANG-YU LEE as the inventors/discoverers of YC-1's anti-cancer applications. The foregoing statement of good faith was false and misleading, in that YUNG SHIN and TENG, on the one hand, and BIZBIOTECH and JW PARK, on the other hand, were at this point *de facto* competitors, and neither YUNG SHIN nor TENG had an interest in cooperating with BIZBIOTECH in the commercialization of YC-1 as an anti-angiogenic, anti-cancer agent.

67. Relying upon TENG's continuing expressions of good faith and interest in a

cooperative arrangement, and unaware of YUNG SHIN and TENG's competing patent filings, (a) Mansung Michael Cho of BIZBIOTECH flew to Taiwan from California, along with JW PARK and others who flew in from Korea, to meet with TENG and Vincent Chang, a representative of YUNG SHIN, (b) Dr. Cho and JW PARK discussed possible cooperation and collaboration between BIZBIOTECH, on the one hand, and TENG and YUNG SHIN, on the other hand, and (c) Dr. Cho and JW PARK disclosed BIZBIOTECH's confidential patent protection strategy and business plans for the commercialization of YC-1 as an anti-angiogenic, anti-cancer agent.

68. During the said meeting in Taiwan, the YUNG SHIN representative and TENG continued to express interest in a cooperative business arrangement with BIZBIOTECH, and repeated their prior requests for additional information about BIZBIOTECH's intentions and plans for the commercialization and marketing of YC-1 as an anti-cancer drug, allegedly to facilitate YUNG SHIN executive committee's evaluation and review of the BIZBIOTECH proposal. Had BIZBIOTECH executives known of the falsity of Defendants' representations, and their true intentions, including the filing of the U.S. '892 Application and the '445 Application by Defendants, BIZBIOTECH would not have engaged in business negotiations with Defendants as it did, or disclosed its patent protection strategy or business plans to TENG or YUNG SHIN.

69. Relying on the said representations made by TENG and YUNG SHIN representatives, on or about August 6, 2003 Mansung Michael Cho of BIZBIOTECH e-mailed from California to YUNG SHIN a detailed preliminary proposal outlining BIZBIOTECH's internal and proprietary analysis of the market for YC-1 cancer therapy.

70. Between August and September 2003, Defendants made numerous additional representations via electronic mail and telephone to BIZBIOTECH and Mansung Michael Cho in California, reiterating Defendants YUNG SHIN, FANG-YU LEE, and YUNG ZIP's continuing interest and desire to cooperate with BIZBIOTECH in the further development and commercialization of YC-1 as an anti-cancer drug, and their alleged good faith and sincere interest in discussing and forming a collaborative venture and/or cooperative business arrangement with BIZBIOTECH.

71. Mansung Michael Cho and other executives of BIZBIOTECH and JW PARK, on the one hand, and YUNG SHIN, FANG-YU LEE, and the president of YUNG ZIP, on the other hand, met in Taiwan on or about December 1, 2003. During the meeting, FANG-YU LEE restated his alleged good faith and his interest in entering into a cooperative business arrangement with BIZBIOTECH, with the concurrence of YUNG ZIP, and repeated YUNG SHIN's request for additional information on BIZBIOTECH's plans for the commercialization and marketing of YC-1 as an anti-cancer drug, allegedly to facilitate and expedite YUNG SHIN executive committee's review of the BIZBIOTECH proposal.

72. At no point during the meeting did any of the Defendants, including FANG-YU LEE and YUNG ZIP's president, disclose that YUNG SHIN had filed patent applications allegedly covering anti-angiogenic, anti-cancer applications of YC-1. Although YUNG SHIN had indicated prior to the December 1, 2003 meeting that it intended to execute the confidentiality agreement presented by BIZBIOTECH, and verbally agreed that the information exchanged during and after the meeting would be confidential, YUNG SHIN did not sign the said confidentiality agreement, citing as the reason their receipt of Taiwanese government funds allegedly prohibiting them from expressly executing such agreements. PLAINTIFFS allege upon information and belief that the reason given by YUNG SHIN was false, in that YUNG SHIN did not wish to memorialize the prior oral promises of discretion and confidentiality made by FANG-YU LEE and YUNG SHIN staff to BIZBIOTECH, in order to make the enforcement of such promises by BIZBIOTECH more difficult.

73. In early December 2003, immediately after the meeting with FANG-YU LEE in Taiwan, BIZBIOTECH found out about YUNG SHIN's International Application WO03/08227 (PCT International Application No. PCT/US03/09969), which had been filed on or about March 31, 2003 but was not published (and did not become public) until October 9, 2003. Alarmed about Defendants' deception, including the fact that BIZBIOTECH and Defendants had concluded two extensive, face-to-face meetings (at which time BIZBIOTECH disclosed sensitive and confidential business information)

without YUNG SHIN's competing patent applications ever being mentioned, Mansung Michael Cho notified TSAO and F&R, YUNG SHIN's patent prosecution counsel, in writing, on or about December 26, 2003, about Professor JW PARK's April 2001 article published in the Biochemical Pharmacology, the Korean Patent Application 10-2001-0060054, and copies of the electronic mail messages between TENG and JW PARK, all of which established JW PARK's original discovery of novel anti-angiogenic, anti-cancer applications of YC-1, and the falsity of FANG-YU LEE's and TENG's claims of inventorship to the same.

74. PLAINTIFFS are informed and believe, and thereon allege, that TSAO and F&R were put on notice as of December 26, 2003 that their client YUNG SHIN, and FANG-YU LEE and TENG, had falsely claimed to be the inventors and original owners of the invention disclosed in the U.S. '445 Application, and that FANG-YU LEE and TENG had submitted false and misleading Combined Declaration of Power of Attorney to the U.S. Patent and Trademark Office in connection with the U.S. '445 Application.

75. PLAINTIFFS are further informed and believe, and thereon allege, that TSAO and F&R have continued to assist YUNG SHIN, FANG-YU LEE, TENG, and their assignees prosecute numerous patent applications purportedly teaching the anti-cancer applications of YC-1, even though TSAO and F&R knew at least since December 26, 2003, if not earlier, and should have known through exercise of reasonable care, that the said applications

were materially deficient and operated as fraud upon the U.S. Patent and Trademark Office and upon third parties following the publication of the said applications, in that, among other things, FANG-YU LEE and TENG were not the true inventors and original owners of the invention allegedly disclosed therein, and that the true inventors and original owners of the same, namely, JW PARK and YS CHUN, were not named in the said application, and even though they knew about the fraudulent statements being made by YUNG SHIN, FANG-YU LEE, and TENG to JW PARK and PLAINTIFFS.

76. PLAINTIFFS are also informed and believe, and thereon allege, that TSAO and F&R engaged in the wrongful conduct alleged herein, even though they knew that such conduct would operate as a fraud upon JW PARK, YS CHUN, and PLAINTIFFS; deprive PLAINTIFFS and the others of property, income, business, benefits, and commercial opportunities rightfully belonging to them, and unlawfully take away from them such valuable property, business, and income; and violate TSAO's and F&R's ethical and legal obligations and independent duty not to commit fraud or actively assist the commission of the same. PLAINTIFFS further allege upon information and belief that TSAO and F&R engaged in the aforementioned wrongful conduct in order to profit from YUNG SHIN, YUNG ZIP, CARLSBAD TECHNOLOGY, and FANG-YU LEE's misappropriation of the INVENTION, and that TSAO and F&R have received over a million dollars as a result of their participation in the scheme alleged herein and/or

their efforts to create a patent estate for YUNG SHIN and FANG-YU LEE.

77. PLAINTIFFS are informed and believe, and thereon allege, that as part of Defendants' continuing scheme to defraud and misappropriate the invention/discovery and business opportunities rightfully belonging to JW PARK, YS CHUN and their successors-in-interest and/or assignees (including BIZBIOTECH and HIF BIO), in early October 2004 YUNG SHIN called for a meeting in Carlsbad, California between Mansung Michael Cho of BIZBIOTECH and its science consultants, on the one hand, and YUNG SHIN, FANG-YU LEE, and CARSLBAD TECHNOLOGY. The meeting was held in Carlsbad, California, at the request of FANG-YU LEE.

78. The aforementioned parties met in Carlsbad, California on or about October 17, 2004. During the meeting, FANG-YU LEE and YUNG SHIN continued to express interest in a cooperative and/or collaborative business arrangement with BIZBIOTECH, and repeated YUNG SHIN's prior suggestion that BIZBIOTECH provide them with additional materials describing its intentions and plans for the commercialization and marketing of YC-1 as an anti-cancer drug, allegedly to facilitate and expedite YUNG SHIN executive committee's review of the BIZBIOTECH proposal.

79. Prior to the said meeting, Defendants made false and misleading statements to BIZBIOTECH and HIF BIO via interstate and international wire facilities, including telephone and

Internet lines. Those false representations included representations, directed to persons located within California, that YUNG SHIN, YUNG ZIP, FANG-YU LEE, and other defendants were interested in evaluating and entering into a cooperative business arrangement, including joint venture, strategic partnership, or other similar collaborative relationship, with HIF BIO and/or BIZBIOTECH, and inducing the parties to meet in Taiwan and in California to discuss such arrangement.

80. The foregoing statements were false and misleading, in that in truth, Defendants had no interest whatsoever in entering into a cooperative and/or collaborative business arrangement with JW PARK, YS CHUN, BIZBIOTECH, or their assignees (namely, HIF BIO), and that their only interest at the time the said statements were made was to obtain from BIZBIOTECH and HIF BIO as much competition-sensitive information as possible about their patent protection strategy and their business plan concerning the further development and commercialization of YC-1 as an anti-cancer agent, including the status of BIZBIOTECH's and/or HIF BIO's patent applications, their patent position vis-à-vis Defendants' position, and BIZBIOTECH's and HIF BIO's confidential business plans and strategies, and to induce upon JW PARK, BIZBIOTECH and HIF BIO a false sense of security and comfort as to Defendants' true, tortious intentions.

81. While Defendants were inviting discussions of potential "cooperative" business arrangements with BIZBIOTECH and HIF BIO, in reality they had filed competing patent applications

covering the anti-cancer properties of YC-1, by fraudulently claiming that FANG-YU LEE and TENG were the inventors/discoverers of the same, and improperly listing YUNG SHIN and/or CARSLBAD TECHNOLOGY as the rightful owners of the same, by way of purported assignments from FANG-YU LEE and TENG. Defendants deliberately concealed the filing of the said fraudulent patent applications from BIZBIOTECH and HIF BIO, and from JW PARK and YS CHUN, even during the several extended meetings that took place in California and Taiwan.

82. PLAINTIFFS are informed and believe, and thereon allege, that CARLSBAD TECHNOLOGY agreed to work with YUNG SHIN, FANG-YU LEE and TENG to further develop, commercialize, sell and market YC-1 and its analogues as anti-angiogenic, anti-cancer drugs in the United States and abroad, even though CARLSBAD TECHNOLOGY knew, or should have known through exercise of reasonable care, that neither TENG nor FANG-YU LEE invented or discovered the anti-angiogenic, anti-cancer applications of YC-1; that relevant patent applications allegedly filed by or on behalf of the named Defendants falsely identified TENG and/or FANG-YU LEE as inventors of the said applications of YC-1; and that the conduct of CARLSBAD TECHNOLOGY and other Defendants was fraudulent, tortious, and would materially injure each Plaintiff and cause them economic harm as alleged in this First Amended Complaint.

83. PLAINTIFFS are informed and believe, and thereon allege, that YUNG ZIP, an independent Taiwanese company controlled by Fang-Chen Lee, the younger brother of Defendant FANG-YU LEE, and that YUNG ZIP participated, and is participating, in the further development and commercialization of YC-1 and its analogues as anti-angiogenic, anti-cancer drugs, for a share of the profits from the commercialization of the same by YUNG SHIN and FANG-YU LEE. HIF BIO further alleges that YUNG ZIP participated in meetings with BIZBIOTECH representatives along with YUNG SHIN, FANG-YU LEE and other executives of YUNG SHIN, and helped to perpetrate the fraudulent and tortious scheme alleged herein by falsely representing to BIZBIOTECH representatives that YUNG SHIN and YUNG ZIP desired to enter into a collaborative relationship with BIZBIOTECH and requesting BIZBIOTECH's confidential business information (including BIZBIOTECH's patent position with respect to YC-1) for that purpose, when in reality YUNG ZIP's true intent was to obtain and use the said confidential information to help YUNG SHIN, FANG-YU LEE, and TENG file and prosecute competing patent applications that fraudulently identified FANG-YU LEE and TENG as inventors, which applications (and any patents resulting therefrom) would hinder and/or prevent PLAINTIFFS' further development, commercialization, and marketing of the INVENTION, and block PLAINTIFFS' efforts to obtain investments to fund their venture.

D.

DEFENDANTS' ONGOING EFFORTS TO CARRY OUT THEIR SCHEME TO DEFRAUD PLAINTIFFS AND TO MISAPPROPRIATE THE INVENTORSHIP OF YC-1 AS AN ANTI-ANGIOGENIC, ANTI-CANCER AGENT, AND THE RELATED BUSINESS OPPORTUNITIES THAT LAWFULLY BELONG TO PLAINTIFFS

84. PLAINTIFFS are informed and believe, and thereon allege, that Defendants YUNG SHIN, FANG-YU LEE, TENG, and CARLSBAD TECHNOLOGY are continuing to misrepresent to the U.S. Patent and Trademark Office and to the general public that FANG-YU LEE and TENG are the inventors/discoverers of the novel application of YC-1, and with the active assistance and cooperation of Defendants YUNG ZIP, TSAO, and F&R, Defendants are continuing to misappropriate the inventorship/discovery of the said invention and clouding the rights of HIF BIO to the same, as assignee of all rights to YC-1 previously residing in JW PARK, YS CHUN, and BIZBIOTECH. By clouding HIF BIO's title to the INVENTION, Defendants, and each one of them, are also interfering with HIF BIO's attempts to obtain patent protection for the INVENTION, and hindering HIF BIO's attempts to raise venture capital funding and enter into joint venture, strategic partnering, and other similar relationship with established biopharmaceutical companies.

85. PLAINTIFFS are informed and believe, and thereon allege, that Defendants YUNG SHIN,

FANG-YU LEE, TENG, CARLSBAD TECHNOLOGY, TSAO, and F&R have filed, caused to be filed, and/or actively participated in the filing of, patent applications teaching the INVENTION and falsely claiming that FANG-YU LEE and TENG are the inventors/discoverers of the INVENTION, when each of them knew that FANG-YU LEE and TENG's claims of inventorship/discovery were false and misleading, with the intent to harm and injure HIF BIO, BIZBIOTECH, and the true inventors/discoverers of the INVENTION, namely, JW PARK and YS CHUN, by interfering with their right and ability to obtain protection under the U.S. Patent Laws, and by misappropriating rights and benefits thereunder.

86. By way of example only, and without limitations, Defendants (including, without limitations, TSAO and F&R) have interfered with the patent applications filed and assigned to HIF BIO and identified hereinbelow, by filing between March 2002 and May 2005, via U.S. mail facilities several competing patent applications and patent prosecution related filings that falsely and fraudulently claim that FANG-YU LEE and TENG, among others, are the inventors/discoverers of the INVENTION:

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		**DEFENDANTS' Patent Applications** (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing or Other Relevant Date	Application	Filing or Other Relevant Date	Application
1999-2001	JW PARK shares non-public research data, ideas and concepts with TENG.		
27 Sept. '01	JW PARK and his team files Korean Pat. App. No. KR 10-2001-0060054 claiming the anti-angiogenic, anti-cancer uses of YC-1 ("Pharmaceutical composition which contains YC-1 as effective component")		
		2 Feb. '02	TENG submits a false and misleading invention disclosure to YUNG SHIN naming himself as the inventor of anti-cancer uses of YC-1, and TENG and YUNG SHIN forward the same to Defendant TSAO, for filing with the U.S. Patent and Trademark Office.
9 Nov. '01	Publication of Korean Pat. App. No. KR 10-2001-0060054 (Korean Pat. App. Disclosure Announcement No. 2001-0099431)		
		29 Mar. '02	YUNG SHIN, with the assistance of TSAO, FANG-YU LEE, and TENG, filed U.S. Provisional Pat. App. No. 60/368,892

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		DEFENDANTS' Patent Applications (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing or Other Relevant Date	Application	Filing or Other Relevant Date	Application
			("Angiogenesis Inhibitors"), where FANG-YU LEE and TENG falsely claim to be the inventors of YC-1's anti-angiogenic, anti-cancer uses.
		16 May '02	YUNG SHIN files U.S. Pat. App. No. 10/147,445 ("Angiogenesis Inhibitors"), claiming priority based upon 60/368,892
		14 Aug. '02	Defendants TENG, LEE and others sign a Declaration that falsely stated that they are the "original, first and joint inventor of the subject matter which is claimed" in the 10/147,445 application.
		31 Mar. '03	YUNG SHIN files Patent Cooperation Treaty ("PCT") Pat. App. No. WO 03/082274, claiming
7 Apr. '03	U.S. Pat. App. No. 10/407,136 ("Method		

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		DEFENDANTS' Patent Applications (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing or Other Relevant Date	Application	Filing or Other Relevant Date	Application
	for Inhibiting Tumor Angiogenesis and Tumor Growth") is filed.		priority based upon 10/147,445.
30 Jun. '03	U.S. Provisional Pat. App. No. 60/484,158 ("Method for Inhibiting Tumor Angiogenesis and Tumor Growth with 1- Benzy1-3-Aryl Condensed Pyrazoles") is filed.		
30 Jun. '03	U.S. Provisional Pat. App. No. 10/484,491 ["Compounds, Compositions, and Methods") is filed.		
14 Aug. '03	U.S. Pat. App. No. 10/642,363 ("Method for Inhibiting Tumor Angiogenesis and Tumor Growth"), claiming priority based upon 10/407,136 is filed.		

87. Defendants YUNG SHIN, CARLSBAD TECHNOLOGY, FANG-YU LEE, and TENG knew, and should have known if they had exercised reasonable care, that FANG-YU LEE and TENG were not the true inventors/discoverers of the anti-angiogenesis, anti-cancer applications of YC-1. PLAINTIFFS are informed and believe, and thereon allege, that Defendants F&R and TSAO also knew, and should have known if they had exercised reasonable care, that FANG-YU LEE and TENG were not the true inventors/discoverers of the above-referenced novel application and properties of YC-1.

88. PLAINTIFFS are informed and believe, and thereon allege, that all Defendants, and each one of them, intended to misappropriate the invention/discovery of the novel application and properties of YC-1, originally made by Professors JW PARK and YS CHUN, in order to (a) unlawfully exclude and take away from the said true inventors/discoverers and their assignees and successors-in-interest (including HIF BIO), the opportunities for commercialization, patent protection, further research and development (including opportunities for partnering with established bio-pharmaceutical companies on joint research & development and/or marketing), licensing, and commercial exploitation of YC-1 as an anti-angiogenesis, anti-cancer agent, and to (b) misappropriate for themselves and their cohorts the financial rewards, fame, enhanced reputation, patent rights, and other benefits associated with the ownership and the inventorship of the said novel applications and properties of YC-1.

89. PLAINTIFFS are informed and believe, and thereon allege, that even after Defendants TSAO and F&R, became aware of JW PARK and YS CHUN's rightful claims of inventorship/ discovery of the INVENTION, they continued to prepare and prosecute patent applications purporting to disclose the INVENTION and naming FANG-YU LEE and TENG as the inventors/discoverers of the INVENTION, while omitting JW PARK and YS CHUN, by submitting to the U.S.P.T.O. via U.S. mail materials that falsely identified FANG-YU LEE and TENG as the inventors/discoverers of the anti-angiogenic, anti-cancer applications YC-1, as follows:

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		**DEFENDANTS' Patent Applications** (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing Date or Other Relevant Date	Application	Filing Date or Other Relevant Date	Application
26 Dec. '03	BIZBIOTECH notifies Defendants TSAO and F&R in writing about the Korean Pat. App. No. KR 10-2001-0060054 (Korean Pat. App. Disclosure Announcement No. 2001-0099431)		
31 Dec. '03	U.S. Provisional Pat. App. No. 60/533,985 ("Compounds for Arresting the Cell Cycle for Anti-Tumor Treatment") is filed.		
31 Dec. '03	U.S. Provisional Pat. App. No. 60/534,001 ("Compounds for Inhibiting Tumor Growth and		

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		DEFENDANTS' Patent Applications (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing Date or Other Relevant Date	Application	Filing Date or Other Relevant Date	Application
	Angiogenesis") is filed.		
23 Feb. '04	Reginald Suyat, Esq., patent attorney for HIF BIO notifies Defendant TSAO about the conflict between HIF BIO's and YUNG SHIN'S patent activities.		
		23 Feb. '04	Response filed by TSAO on behalf of YUNG SHIN to the non-final rejection of 22 Aug. '03 in 10/147,445.
1 Apr. '04	PCT Pat. App. No. WO 2004/091648 ("Method for Inhibiting Tumor Angiogenesis and Tumor Growth"), claiming priority based upon US Pat. App. Nos. 10/407,136 and 10/642,363 is filed.		
30 Jun. '04	U.S. Pat. App. No. 10/883,482 ("Compounds, Compositions and Methods"), claiming priority based upon US Pat. App. Nos. 60/484,158, 60/484,191, 60/534,001, and 60/533,985 is filed.		
22 Aug. '04	Non-final rejection Issued by the Patent Office in 10/407,136. YUNG SHIN's 10/147,445 is cited as	30 Aug. '04	U.S. Continuation-in-Part

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		DEFENDANTS' Patent Applications (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing Date or Other Relevant Date	Application	Filing Date or Other Relevant Date	Application
	prior art.		("CIP") Pat. App. No. 10/930,065 ("Anti-Angiogenesis Methods"), claiming priority based upon U.S. Pat. App. 10/147,445 filed, and claiming rights to anti-cell proliferation uses for YC-1, which are induced by angiogenic factors.
		29 Sept. 04	YUNG SHIN files foreign patent application based on its prior application, 10/147,445, in Australia (AU20033222148A) .
1 Oct. '04	In PCT Search Report, YUNG SHIN's 10/147,445 is cited as prior art.		Canada (CA2478918A), Japan (JP2005521713T), Europe (EP1496894A1), claiming anti-cancer and anti-angiogenesis use of YC-1.
		17 Oct. 2004	Defendants, including FANG-YU LEE, invite BIZBIOTECH representatives for meeting in California, to further discuss cooperative or collaborative business relationship, but do not disclose that YUNG SHIN filed additional foreign patent applications claiming rights to anti-cancer use of YC-1, which

HIF BIO's Patent Applications (Disclosing the true inventors/ discoverers of YC-1 as an anti-angiogenic, anti-cancer agent)		DEFENDANTS' Patent Applications (Falsely naming Defendants FANG-YU LEE and TENG, among others, as alleged inventors YC-1 as an anti-angiogenic, anti-cancer agent)	
Filing Date or Other Relevant Date	Application	Filing Date or Other Relevant Date	Application
28 Oct. '04	PCT application WO 2004/091648 is published		applications again falsely identified FANG-YU LEE and TENG as the inventors of the said invention, and excluded PARK and CHUN.
		10 Dec. '04	YUNG SHIN files U.S. Divisional ("DIV") Pat. App. No. 11/009,235 ("Angiogenesis Inhibitors"), claiming priority based upon U.S. Pat. App. 10/147,445 filed, and again claiming rights to the anti-cancer use of YC-1.
		18 May '05	U.S. Pat. App. No. 11/132,756 (unpublished child application of U.S. Pat. App. No. 10/147,445) filed

90. PLAINTIFFS allege upon information and belief that none of the Defendants, including YUNG SHIN, CARLSBAD TECHNOLOGY, FANG-YU LEE, and TENG, intends to relinquish their false claims to the anti-angiogenesis and anti-tumor properties of YC-1, even though Defendants are not the rightful inventors, discoverers, or original owners of such novel properties and applications of YC-1. By way of example only, Defendants' U.S. Patent

Application Ser. Nos. 10/147,445, 10/930,065, 11/009,235, and/or 11/132,756 attempt to claim YC-1's anti-angiogenic and/or anti-cancer use on behalf of YUNG SHIN and/or its designees or assignees. By way of example only, copies of the Combined Declaration and Power of Attorney submitted by TENG and FANG-YU LEE to the U.S.P.T.O. in connection with U.S. Appl. Nos. 11/009,235 and 11/132,756 are attached hereto as **Exhibits "B"** and **"C"**, respectively.

91. PLAINTIFFS further allege upon information and belief that TSAO and F&Y, acting in concert with the other Defendants named herein, have attempted to conceal Defendants' YUNG SHIN, TENG, and FANG-YU LEE's false statements to the U.S Patent and Trademark Office and the scope of the Defendants' efforts to misappropriate the INVENTION by removing from YUNG SHIN's original, published patent application, U.S. Appl. No. 10/147,445, one or more claims referencing anti-cancer applications of YC-1 in or about February 2004, through U.S. mail, and adding those same claims to another divisional patent application, U.S. Appl. No. 11/009,235, filed with the U.S.P.T.O. on or about December 10, 2004 through U.S. mail, after TSAO and F&R had been notified by PLAINTIFFS about TENG's and FANG-YU LEE's false claims of inventorship regarding YC-1, with the understanding that the subsequent divisional application would not be published, and therefore would not become known to PLAINTIFFS, until a later date, in an attempt to lull PLAINTIFFS into a false sense of security.

92. All Defendants referenced hereinabove knew, and should have known if they had exercised reasonable care, that FANG-YU LEE and TENG were not the true inventors/discoverers of the anti-angiogenesis, anti-cancer applications of YC-1. PLAINTIFFS are informed and believe, and thereon allege, that Defendants F&R and TSAO also knew, and should have known if they had exercised reasonable care, that FANG-YU LEE and TENG were not the true inventors/discoverers of the above-referenced novel application and properties of YC-1.

93. PLAINTIFFS are informed and believe, and thereon allege, that all Defendants, and each one of them, intended to misappropriate the invention/discovery of the novel application and properties of YC-1, originally made by Professors JW PARK and YS CHUN, in order to (a) unlawfully exclude and take away from the said true inventors/discoverers and their assignees and successors-in-interest (including HIF BIO), the opportunities for commercialization, patent protection, further research and development (including opportunities for partnering with established bio-pharmaceutical companies on joint research & development and/or marketing), licensing, and commercial exploitation of YC-1 as an anti-angiogenesis, anti-cancer agent, and to (b) misappropriate for themselves and their cohorts the financial rewards, fame, enhanced reputation, patent rights, and other benefits associated with the ownership and the inventorship of the said novel applications and properties of YC-1.

94. As a result of Defendants' actions and omissions as alleged herein, BIZBIOTECH and HIF BIO have been deprived of numerous opportunities to obtain funding and equity investment from third parties (including, without limitations, a potential equity investment in or about January 2004), and from opportunities to enter into joint venture, strategic partnering, and other cooperative drug research, drug development, and marketing agreements and arrangements with established biopharmaceutical companies.

95. PLAINTIFFS are informed and believe, and thereon allege, that Defendants, and each of them, benefited financially, and continue to benefit collectively, from their fraudulent scheme and unlawful conduct alleged herein. By way of example only, PLAINTIFFS allege upon information and belief that through the execution and operation of the aforementioned scheme, Defendants, including, without limitations, YUNG SHIN and TENG, obtained funds and income from private and public sources, including, without limitations, the Government of Taiwan in or about 2003, and that such funds and/or income were invested in and/or used by the said Defendants to fund and operate other ventures. PLAINTIFFS further allege upon information and belief that Defendants, and each of them, conducted and participated in the conduct, execution, and operation of the unlawful scheme alleged hereinabove, through a pattern of unlawful activities, including, without limitations, wire and mail fraud, and other activities alleged herein.

E.

DEFENDANTS' KNOWING, INTENTIONAL, AND MALICIOUS MISCONDUCT, AND CONSPIRACY AMONG THEM

96. PLAINTIFFS are informed and believe, and thereon allege, that Defendants YUNG SHIN, FANG-YU LEE, TENG, YUNG ZIP, TSAO, and F&R planned together and worked in concert with DOES 1 through 10, inclusive, and with each other, to deceive JW PARK, YS CHUN, and BIZBIOTECH into giving them access to non-public, proprietary, valuable, and confidential information to YUNG SHIN, FANG-YU LEE, and TENG, so that Defendants could misappropriate the same and claim to be the inventors of the same.

97. PLAINTIFFS are informed and believe, and thereon allege, that commencing sometime in or about late 1999-early 2000, and continuing thereafter, Defendants, and each of them, conspired with one another and engaged in conduct intended to deceive the INVENTORS, and convert valuable, proprietary research information and assets of theirs not normally accessible to Defendants. PLAINTIFFS further allege upon information and belief that commencing sometime in or about late 2000, and continuing thereafter, Defendants, and each of them, conspired with one another conspired with one another and engaged in conduct intended to deceive the INVENTORS, BIZBIOTECH, and HIF BIO, and convert valuable, proprietary research and business information and assets of theirs not normally accessible to Defendants.

98. PLAINTIFFS allege upon information and belief that during this same time period, Defendants TSAO and F&R, TSAO's law firm, were aiding, abetting, and actively supporting the other Defendants, and assisting them misappropriate the INVENTION and the rights and benefits arising out of the same from HIF BIO, BIZBIOTECH, and the INVENTORS.

99. PLAINTIFFS are informed and believe, and thereon allege, that Defendants TSAO and F&R engaged in the unlawful conduct set forth in this First Amended Complaint, including (a) filing and prosecuting patent applications on behalf of Defendants YUNG SHIN and CARLSBAD TECHNOLOGY, which applications claimed rights to the INVENTION, even though TSAO and F&R knew that neither YUNG SHIN nor CARLSBAD TECHNOLOGY had the rights to the INVENTION, and (b) repeatedly preparing and submitting to the U.S. Patent and Trademark Office false and misleading statements and information supplied by FANG-YU LEE and TENG as alleged hereinabove, using U.S. mail and wire facilities, which materials stated and/or implied that Defendants FANG-YU LEE and TENG were the original inventors/discoverers of the INVENTION, even though TSAO and F&R had express and specific notice, and actual knowledge, that FANG-YU LEE and TENG were not the original or sole inventors of the INVENTION.

100. PLAINTIFFS further allege upon information and belief that Defendants TSAO and F&R engaged in the aforementioned unlawful

conduct, and is continuing to do so to this date, even though they were notified on numerous occasions, including, without limitations, December 26, 2003, February 24, 2004, and May 19, 2005, about the falsity of the claims made by YUNG SHIN, CARLSBAD TECHNOLOGY, FANG-YU LEE, and TENG, and the falsity of the statements contained in TSAO and F&R's submissions to the U.S. Patent and Trademark Office, and knew that the said claims, statements, and submissions were false and/or misleading and would be injurious to PLAINTIFFS and their rights.

F.

AGENCY AND ALTER EGO ALLEGATIONS

101. PLAINTIFFS are informed and believe, and thereon allege, that at all relevant times Defendants were the agents, servants, or employee of each and every of the other, and acted at all times within the scope of such agency or employment. PLAINTIFFS are further informed and believe, and thereon allege, that each and every of the foregoing Defendants, regardless of their capacities, ratified and approved of their co-Defendants' acts and conduct alleged in this First Amended Complaint.

102. PLAINTIFFS are further informed and believe, and thereon allege, that adherence to the fiction of separate and independent existence of YUNG SHIN, YUNG ZIP, and CARLSBAD TECHNOLOGY, and DOES 1 through 10, inclusive, from each other and from FANG-YU LEE (collectively, the "Related Defendants"), under the

circumstances here involved, would sanction inequity and injustice, and should be disregarded for the following reasons:

(a) Each and every of the Related Defendants is liable for the amounts due and owing to HIF BIO and/or BIZBIOTECH, because each Related Defendant is an alter ego of each other Related Defendant by his, her, or its conduct and by virtue of the manner and operation of the businesses and affairs thereof;

(b) Each and every of the Related Defendants was organized with inadequate capital to meet its obligations;

(c) There was, and is, such a unity of ownership, interest, control, and management between and among the Related Defendants that the individuality and separateness of each foregoing defendant did not exist, and do not exist;

(d) Each Related Defendant controlled and influenced, and now dominates, controls, and influences, the other Related Defendants, as well as their business, property, and their officers and directors;

(e) The corporate and individual assets of Related Defendants are commingled and intermingled to the extent that the separate obligations of each of these defendants are paid by the other defendants, and assets have been transferred between or among the Related

Defendants without regard for corporate formalities or separate existence of each Related Defendant;

(f) At all times since their organization, YUNG SHIN, YUNG ZIP, and CARLSBAD TECHNOLOGY, were, and now are, mere shells and naked framework which FANG-YU LEE and other individual DOE Defendants have used, and do now use, as conduits for the conduct of their personal business and/or affairs; and

(g) Each Related Defendant created the other Related Defendants, and caused the same to be operated pursuant to a scheme, plan, and design conceived by the first Related Defendants, whereby the assets of said second Related Defendants have been, and/or are being, transferred to or converted by the first Related Defendants, and the tortuous acts and omissions of such Related Defendants are being shielded from scrutiny by HIF BIO and/or BIZBIOTECH, to the detriment of HIF BIO and/or BIZBIOTECH.

103. PLAINTIFFS further allege upon information and belief that each Related Defendant is an alter ego of the other Related Defendants, and adherence to the fiction of a separate and independent existence of such first Related Defendants, and other limited liability entity defendants under the circumstances here involved would sanction inequity and injustice, and should be disregarded for the reasons set forth hereinabove.

CLAIMS OF RELIEF

I.
FIRST CLAIM OF RELIEF

(DECLARATORY JUDGMENT WITH RESPECT TO THE OWNERSHIP OF INVENTION, AS AGAINST ALL DEFENDANTS)

104. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 103 and the allegations therein as though fully set forth herein.

105. HIF BIO is the owner, by way of an assignment of rights from BIZBIOTECH, and as a result of JW PARK and YS CHUN's prior assignment of their rights to BIZBIOTECH, of all rights and claims relating to the INVENTION, including patent applications pertaining to the same.

106. Defendants have made an open, public, and adverse claim that FANG-YU LEE and TENG are the original owners of the INVENTION, and that YUNG SHIN and CARLSBAD TECHNOLOGY, among others, are the current owners of the INVENTION by way of valid assignment(s) from FANG-YU LEE and TENG, and an actual controversy has arisen and now exists between and among the parties named in this First Amended Complaint.

107. HIF BIO disputes the claims of ownership of the INVENTION made by Defendants, and respectfully requests that this Court resolve the issue of ownership of the INVENTION, and

determine that JW PARK and YS CHUN are the true original owners of the INVENTION, that Plaintiff HIF BIO is the sole current owner of the INVENTION by way of assignment of rights from WJ PARK and YS CHUN to BIZBIOTECH, and from BIZBIOTECH to HIF BIO, and that YUNG SHIN and CARLSBAD TECHNOLOGY are not the owners of the INVENTION.

II.
SECOND CLAIM OF RELIEF

(DECLARATORY JUDGMENT WITH RESPECT TO THE INVENTORSHIP OF INVENTION, AS AGAINST ALL DEFENDANTS)

108. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 107 and the allegations therein as though fully set forth herein.

109. As alleged in greater detail hereinabove, Professors JW PARK and YS CHUN are the inventors/discoverers of the INVENTION. Among other things, JW PARK and YS CHUN first conceived and discovered the anti-angiogenic, anti-cancer properties and applications of YC-1 in or about late 1999-early 2000. At that time, neither Defendant TENG nor Defendant FANG-YU LEE was aware of the anti-angiogenic, anti-cancer properties of YC-1.

110. Defendants have made an open, public, and adverse claim that FANG-YU LEE and TENG are the inventors/discoverers of the INVENTION, and an actual controversy has arisen and now exists

between and among the parties named in this First Amended Complaint.

111. PLAINTIFFS dispute the claims made by Defendants (including, without limitations, FANG-YU LEE, TENG, YUNG SHIN, and CARLSBAD TECHNOLOGY) and disseminated and/or re-published by Defendants TSAO and F&R, that FANG-YU LEE and TENG are the inventors/discoverers of the INVENTION, and respectfully requests that this Court resolve the issue of true inventorship/discovery of the INVENTION and determine that JW PARK and YS CHUN (and not Defendants TENG or FANG-YU LEE) were and are the first and true inventors/discoverers of the INVENTION.

III.
THIRD CLAIM OF RELIEF

(RICO [18 U.S.C. §§ 1961, 1962(a), (c), and (d)], AS AGAINST ALL DEFENDANTS)

112. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 111 and the allegations therein as though fully set forth herein.

SUMMARY OF THE RICO CLAIMS

113. PLAINTIFFS allege RICO claims against a group of business entities and individuals that have, *among other things*, over the course of more than six (6) years and continuing to date, knowingly planned and carried out overlapping fraudulent schemes that constitute continuing

violations of the Racketeer Influenced Corrupt Organization Act ("RICO"), 18 U.S.C. § 1961 et seq., including, without limitations, 18 U.S.C. §§ 1962(a) and (c)-(d), in that Defendants, and each of them, conducted and operated one or more unlawful enterprise(s) within the meaning of 18 U.S.C. § 1961(4) through a pattern of unlawful racketeering activity as alleged herein, received incomes derived from the said racketeering activities, and invested such incomes into, or used the same to operate, other ventures and enterprises in competition with PLAINTIFFS, to the detriment of and injury to PLAINTIFFS.

114. PLAINTIFFS allege upon information and belief that in the course of carrying out the aforementioned fraudulent schemes, Defendants have:

(a) Falsely claimed to be the inventors/discoverers and owners of a novel, anti-cancer therapeutic applications for a compound known as YC-1, defrauded the true inventors/discoverers and their assignees, and misappropriated the invention/discovery, non-public research information regarding the same, and proprietary business information and marketing plans concerning the commercialization of YC-1, through multiple and repeated use of international and interstate wire transmissions in violation of *inter alia* 18 U.S.C. § 1343;

(b) Sought U.S. patent protection for the said invention/discovery, by submitting statements, made under penalty of perjury, to the U.S. Patent

and Trademark Office (the "U.S.P.T.O"), which statements falsely claimed that Defendants FANG-YU LEE and TENG were the inventors/discoverers of the anti-angiogenic and anti-cancer applications of YC-1, in violation of *inter alia* 18 U.S.C. §§ 1341-43 & 1346, as well as 18 U.S.C. § 1001;

(c) Made similarly false statements to the U.S. Food and Drug Administration (the "F.D.A.") with the intent to file an Investigational New Drug Application for YC-1 as an anti-cancer drug ahead of PLAINTIFFS, in violation of *inter alia* 18 U.S.C. §§ 1341 and/or 1343 & 1346, as well as 18 U.S.C. § 1001;

(d) Disseminated to the public, directly and through third parties, the false claim that Defendants FANG-YU LEE and TENG were the inventors/discoverers of YC-1, with the intention of interfering with PLAINTIFFS efforts to obtain funding for the commercialization of YC-1 as an anti-cancer drug, and to enter into joint venture and/or research partnering arrangements with established biopharmaceutical companies; and

(e) Obtained income in the form of grants and/or research funding from the Taiwanese government by falsely and fraudulently claiming that Defendants FANG-YU LEE and TENG were the inventors/discoverers of the anti-cancer applications of YC-1, and by referencing at least one U.S. patent application filed and maintained through perjury as evidence that Defendants YUNG SHIN and/or CARLSBAD TECHNOLOGY held the rights to the anti-angiogenic, anti-cancer applications of YC-1,

and used the said income to fund research activities and generate experimental data in order to compete unfairly against PLAINTIFFS.

115. Among other things, Defendants conceived, agreed to carry out, and carried out multiple schemes to misappropriate and claim for themselves the ownership and inventorship of YC-1 as an anti-angiogenic, anti-cancer agent and to obtain money and valuable property, by knowingly making false promises and statements as alleged herein.

116. The said overlapping fraudulent schemes are described in Paragraphs 31-83 and 84 -95 of this First Amended Complaint;

117. The money and/or property fraudulently sought and obtained by Defendants included the valuable pre-publication research data and marketing data and plans fraudulently obtained by Defendants from PLAINTIFFS, and the proceeds obtained by Defendants through their fraudulent misappropriation of the INVENTION and their false claims of inventorship and ownership of the INVENTION, and through the patent applications in which Defendants TENG and FANG-YU LEE falsely claim to be the inventors/discoverers of the INVENTION, and YUNG SHIN and CARLSBAD TECHNOLOGY falsely claim to be the legitimate owners, via valid assignments from the allegedly true inventors, of the INVENTION.

118. Defendants knew that their statements and representations made to PLAINTIFFS, their

successors, and to U.S. government agencies (including the U.S.P.T.O. and the F.D.A.) in the course of the said fraudulent schemes were false and misleading.

119. Each Defendant acted with the intent to defraud PLAINTIFFS as well as the true inventors of the INVENTION in making the said statements and representations, and in conceiving, entering into, and carrying out the said fraudulent schemes.

120. Defendants used the U.S. mails and interstate and international wire transmissions, and caused the same to be used, to carry out an essential part of the said fraudulent schemes.

121. The above-referenced wire transmissions included, without limitations and by way of example only, the electronic mails described in Paragraphs 49-53, 54(d), 54(g), 55, 65-66, 70-72, and 77-80, which were sent over interstate and international wires.

122. The above-referenced mailings included, without limitations and by way of example only, perjurious statements made by Defendants TENG and FANG-YU LEE, and sent and/or caused to be sent via U.S. mail by Defendants TENG, FANG-YU LEE, YUNG SHIN, TSAO, and F&R, to the U.S.P.T.O., as described in Paragraphs 86-87 and 89-91. PLAINTIFFS further allege upon information and belief that Defendants YUNG SHIN and FANG-YU LEE caused to be sent via U.S. mail to the F.D.A., in connection with their Investigational New Drug Application for YC-1 as an anti-cancer drug,

similar statements that falsely alleged that YUNG SHIN owns the INVENTION, and/or that TENG and FANG-YU LEE are the inventors/discoverers of the anti-angiogenic, anti-cancer applications of YC-1.

THE RICO DEFENDANTS

123. Defendant YUNG SHIN. PLAINTIFFS name YUNG SHIN as a RICO Defendant on the basis of its violation of 18 U.S.C. §§ 1962(a), (c), and (d) as alleged herein, and for its role in knowingly aiding and abetting the commission of the foregoing RICO violations.

124. Defendant FANG-YU LEE. PLAINTIFFS are informed and believe (based upon, among other things, YUNG SHIN's oral admissions and information on its marketing collateral), and thereon allege, that FANG-YU LEE was the Chief Executive Officer or President, and General Manager of YUNG SHIN, and a member of the Board of Directors of CARLSBAD TECHNOLOGY through the date of filing of the original Complaint in the above-captioned action. PLAINTIFFS name FANG-YU LEE as a RICO Defendant on the basis of his violation of 18 U.S.C. §§ 1962(a), (c), and (d) as alleged herein, and for his role in knowingly aiding and abetting the commission of the foregoing RICO violations.

125. Defendant TENG. PLAINTIFFS name TENG as a RICO Defendant on the basis of his violation of 18 U.S.C. §§ 1962(a), (c), and (d) as alleged herein, and for his role in knowingly aiding and abetting the commission of the foregoing RICO

violations. PLAINTIFFS are informed and believe, and thereon allege (based upon, among other things, YUNG SHIN and FANG-YU LEE's oral admissions), that, among other things, TENG, acted as the *de facto* science officer or lead to a RICO "Enterprise" within the meaning of 18 U.S.C. § 1962(c), and that, among other things, he acted in concert with YUNG SHIN and FANG-YU LEE to defrauded Professors JW PARK, YS CHUN (that is, the true inventors/discoverers of the anti-cancer applications of YC-1), managed and/or directed the preparation and filing of the fraudulent patent application by Defendants TSAO and F&R, and together with YUNG SHIN obtained income in the form of grant(s), subsid(ies) or research funding from at least one Taiwanese government agency, which income was used in violation of 18 U.S.C. § 1962(a).

126. Defendant CARLSBAD TECHNOLOGY. PLAINTIFFS name CARLSBAD TECHNOLOGY as a RICO Defendant on the basis of its violation of 18 U.S.C. §§ 1962(c) and (d) as alleged herein, and for its role in knowingly aiding and abetting Defendants YUNG SHIN, FANG-YU LEE, and TENG in their commission of RICO violations under 18 U.S.C. §§ 1962(a) and (c).

127. PLAINTIFFS are informed and believe, and thereon allege, that, among other things, CARLSBAD TECHNOLOGY conspired with Defendants YUNG SHIN, FANG-YU LEE and TENG, among others, to carry out the misappropriation and commercialization of YC-1, even though CARLSBAD TECHNOLOGY knew that (a) neither TENG nor FANG-YU LEE

invented/discovered the anti-angiogenic, anti-cancer applications of YC-1, (b) the patent applications filed by or on behalf of the named Defendants falsely identified TENG and/or FANG-YU LEE as inventors/discoverers of the said applications of YC-1, and (c) the said patent applications and the Defendants' claims and activities with respect to the INVENTION violated the rights of the PLAINTIFFS, as well as Professors JW PARK and YS CHUN, and caused them material economic harm.

128. PLAINTIFFS allege upon information and belief that, among other things, CARLSBAD TECHNOLOGY agreed to be named as the owner or assignee of the INVENTION as claimed in the Patent Cooperation Treaty ("PCT") Application No. PCT/US03/09968, filed on March 31, 2003, and that it agreed to work with YUNG SHIN, FANG-YU LEE and TENG to commercialize, sell, and market YC-1 and its analogues as anti-angiogenic, anti-cancer drugs in the future, even though it knew that the said PCT Application falsely identified FANG-YU LEE and TENG as the inventors.

129. Defendant YUNG ZIP. PLAINTIFFS allege upon information and belief that YUNG ZIP is a Taiwanese company engaged in the bulk production of active pharmaceutical ingredients for YUNG SHIN. PLAINTIFFS name YUNG ZIP as a RICO Defendant on the basis of its violation of 18 U.S.C. §§ 1962(c) and (d) as alleged herein, and for its role in knowingly aiding and abetting the commission of RICO violations under 18 U.S.C. §§ 1962(a) and (c).

130. PLAINTIFFS are informed and believe, and thereon allege, that, among other things, YUNG ZIP is an independent Taiwanese corporation controlled by Fang-Chen Lee, the younger brother of Defendant FANG-YU LEE, and that YUNG ZIP conspired with and helped Defendants YUNG SHIN, FANG-YU LEE and TENG carry out the misappropriation, development, and commercialization of YC-1 and its analogues as anti-cancer drugs, in exchange for a share in the direct or indirect profits from such activities, and possibly in exchange for promises to be the supplier to YUNG SHIN of active pharmaceutical ingredients for YC-1.

131. PLAINTIFFS further allege that YUNG ZIP, acting through its chief executive officer Fang-Chen Lee, accompanied Defendants YUNG SHIN and FANG-YU LEE, accompanied YUNG SHIN, FANG-YU LEE, and other representatives of YUNG SHIN in their meeting with Plaintiff BIZBIOTECH held in December 2003, during which meeting YUNG ZIP and other defendants perpetrate the fraudulent schemes alleged herein by falsely representing to BIZBIOTECH that YUNG SHIN and YUNG ZIP desired to enter into a collaborative relationship with BIZBIOTECH, and solicited BIZBIOTECH's confidential business information (including BIZBIOTECH's patent position with respect to anti-cancer applications of YC-1) for that alleged purpose, when in reality YUNG ZIP's true intent was to obtain and use the said confidential information to help YUNG SHIN, FANG-YU LEE, and TENG file and prosecute competing patent applications that fraudulently identified FANG-YU LEE and TENG as inventors, which applications, once published (and

any patents resulting therefrom) would hinder and/or prevent PLAINTIFFS' development, commercialization, and marketing of YC-1 as an anti-cancer drug, and block PLAINTIFFS' efforts to obtain investments to fund their YC-1 venture.

132. PLAINTIFFS allege that following the filing of the original Complaint in this action, and as a result thereof, Fang-Chen Lee (YUNG ZIP's chief executive officer) replaced FANG-YU LEE as the chief executive officer or general manager of YUNG SHIN, and that YUNG SHIN and YUNG ZIP are continuing to act in concert with each other.

133. Defendant TSAO. PLAINTIFFS name TSAO as a RICO Defendant on the basis of his violation of 18 U.S.C. §§ 1962(c) and (d) as alleged herein, and for his role in knowingly aiding and abetting the commission of RICO violations under 18 U.S.C. §§ 1962(a) and (c). PLAINTIFFS are informed and believe, and thereon allege, that, among other things, TSAO, acted as the chief patent or legal officer or lead to a RICO "Enterprise" within the meaning of 18 U.S.C. § 1962(c), and that, among other things, he knowingly prepared and filed multiple patent applications that falsely identified FANG-YU LEE and TENG as the inventors/discoverers of the novel anti-angiogenic, anti-cancer applications of YC-1, and identified YUNG SHIN and CARLSBAD TECHNOLOGY as the rightful owners of the said invention/discovery by way of an assignment from FANG-YU LEE and TENG, and took an active role in prosecuting the said patent applications on behalf of the RICO Defendants, even though he had actual knowledge

(based upon, among other things, written notices sent by PLAINTIFFS to TSAO and F&R) that the statements of inventorship and/or ownership incorporated into the said applications were materially false.

134. PLAINTIFFS are also informed and believe (based upon, among other things, statements made by YUNG SHIN's representatives), and thereon allege, that TSAO's association with RICO Enterprise under 18 U.S.C. § 1962(c) was based on his long-standing, ongoing, and highly profitable relationship with YUNG SHIN, FANG-YU LEE, and TENG, the leading members of the said RICO Enterprise, including the fact that, according a YUNG SHIN representative, YUNG SHIN had paid TSAO and his patent law firm, F&R, more than US$ 5 Million in the recent past on patent applications (including the YC-1 related patent applications), and that TSAO stood to profit from the application and prosecution of patents relating to YC-1 as an anti-cancer drug.

135. PLAINTIFFS further allege upon information and belief that TSAO, by preparing and filing patent applications containing fraudulent allegations of inventorship and ownership, which applications were referenced by YUNG SHIN and TENG in grant and/or research funding application(s) submitted to at least one Taiwanese government agency, provided material assistance that enabled YUNG SHIN and TENG obtain income in the form of grant(s), subsid(ies) or research funding from the said Taiwanese government

agenc(ies), which income was used in violation of 18 U.S.C. § 1962(a).

136. Defendant F&R. PLAINTIFFS name F&R as a RICO Defendant on the basis of its violation of 18 U.S.C. §§ 1962(c) and (d) as alleged herein, and for its role in knowingly aiding and abetting the commission of RICO violations under 18 U.S.C. §§ 1962(a) and (c). PLAINTIFFS incorporate by reference, as though fully set forth herein, the allegations set forth against Defendant TSAO in the preceding Paragraphs, and further allege upon information and belief that F&R was also acting in the capacity of principal to and/or associate of TSAO, even though it knew that TSAO's conduct was wrongful, as alleged herein.

DEFENDANTS' RICO VIOLATIONS

137. PLAINTIFFS allege that commencing in late 1999 and early 2000, Defendants engaged in multiple overlapping fraudulent schemes in violation of 18 U.S.C. §§ 1962(a), (c), and/or (d) as alleged in Paragraphs 31-83 and 84-95 hereinabove, and as further set forth below.

THE RICO "ENTERPRISE" UNDER 18 U.S.C. § 1962(C)

138. As alleged hereinabove, and as further alleged in Paragraphs 139 - 158 hereinbelow, Defendants violated 18 U.S.C. § 1962(c) by conducting, ~~and~~ participating in the conduct, of one or more Section 1962(c) RICO Enterprises' affairs through a pattern of racketeering activity, and by

entering into and participating in a conspiracy to engage in such violations.

139. PLAINTIFFS allege upon information and belief that for the purposes of 18 U.S.C. § 1962(c), the RICO Enterprise is an association-in-fact comprised of the following individuals and corporations: Defendants YUNG SHIN, FANG-YU LEE, CARLSBAD TECHNOLOGY, YUNG ZIP, TSAO, and F&R, as well as Fang-Chen Lee and Tien-Te Lee who are not yet named in this First Amended Complaint.

140. PLAINTIFFS are also informed that the Section 1962(c) RICO Enterprise, defined hereinabove as an association-in-fact comprised of the RICO Defendants and at least two other individuals, have engaged in the business of researching, making, selling, and distributing pharmaceutical products in Taiwan and in the United States, including California, as well as identifying, acquiring, developing, and managing new drugs and pharmaceutical products and companies in the United States, with TENG acting as the scientific advisor or lead, CARLSBAD TECHNOLOGY (located in Carlsbad, California) acting as the U.S. distributor and/or marketing agent or facilitator, YUNG ZIP acting as the suppliers of active chemical ingredients, and TSAO and F&R acting as the patent counsel and advisor for the said enterprise.

141. PLAINTIFFS allege that the said RICO Enterprises has been subverted by YUNG SHIN, FANG-YU LEE, TENG, and others Defendants

named in this First Amended Complaint, with the consent and acquiescence of the enterprise's remaining members, and that the said RICO Defendants have carried out multiple, overlapping fraudulent schemes as alleged hereinabove, and operated the said RICO Enterprise through a pattern of racketeering activity, consisting of repeating, knowing violations of 18 U.S.C. §§ 1341, 1343, and 1346.

142. PLAINTIFFS further allege that the RICO Defendants have played differentiated roles in the context of a criminal RICO Enterprise in violation of 18 U.S.C. § 1962(c), in that Defendants YUNG SHIN, FANG-YU LEE, and TENG led the enterprise and planned the misappropriation, evaluation, development, commercialization of YC-1 as an anti-cancer drug, including the enterprise's scheme to defraud PLAINTIFFS and misappropriate their invention; YUNG ZIP assisted YUNG SHIN and FANG-YU LEE defraud PLAINTIFFS, and was expected to handle the production of active pharmaceutical components pertaining to YC-1; CARLSBAD TECHNOLOGY was expected to act as the U.S. bridgehead for the RICO Enterprise and provided support for the enterprises' marketing activities in this country; TENG acted as the scientific advisor and lead technical manager for the RICO Enterprise; and TENG, F&R, and TSAO were in charge of creating and managing a patent estate around YC-1 on behalf of the RICO Enterprise, by preparing, filing, and prosecuting patent applications relating to YC-1.

VIOLATIONS OF 18 U.S.C. § 1962(C)

143. Violations of 18 U.S.C. 1962(c) by Defendants YUNG SHIN, FANG-YU LEE, and TENG. As alleged hereinabove, Defendant YUNG SHIN's primary line of business is, and has been, production and sale of generic drugs, as well as production and sale of proprietary drugs under licenses from third party U.S. and European biopharmaceutical companies. Because YUNG SHIN's traditional line of business generates relatively low profit margins, YUNG SHIN and its former chief executive FANG-YU LEE have been on the lookout for "blockbuster" drugs to which they could claim proprietary rights, including patent rights, and market at high profit margins.

144. PLAINTIFFS are informed and believe, and thereon allege, that in its quest to develop a portfolio of proprietary drugs that could be sold more profitably, YUNG SHIN, under FANG-YU LEE's management, poured several million dollars over the past several years into drug research and development initiatives, startup ventures, startup drug development companies, and joint research and development relationships in the United States, including California.

145. By their own admission, YUNG SHIN's and FANG-YU LEE's efforts to this date have been a failure, in that in spite of YUNG SHIN's massive capital investments, YUNG SHIN and FANG-YU LEE have not been able to develop and commercialize a "blockbuster" drug to which they could claim proprietary rights.

146. In late 1999, Defendant TENG, who had been working with YUNG SHIN, first learned from Professor JW PARK that YC-1 had anti-angiogenic, anti-cancer applications. TENG promised to JW PARK via email that TENG would cooperate with the preparation of academic papers discussing JW PARK's discovery of the novel, anti-cancer applications of YC-1, and that TENG would act like a "gentleman," among other things. By reason of his representations to JW PARK, TENG because a fiduciary to JW PARK and his assignees in interest. Lulled into a false sense of security and trust by TENG's promises and representations, JW PARK shared with TENG pre-publication data and results from JW PARK's groundbreaking experiments on the anti-cancer properties of YC-1. In turn, TENG shared the said proprietary, non-public data with other RICO Defendants, including YUNG SHIN and FANG-YU LEE.

147. PLAINTIFFS allege upon information and belief that in order to shore up their own failed proprietary drug development initiatives and mask their failure to develop even one "blockbuster" drug that they could call their own, sometime in early 2000 Defendants YUNG SHIN, FANG-YU LEE, and TENG made the business decision to falsely claim that FANG-YU LEE and TENG were the inventors/discoverers of the novel anti-cancer applications of YC-1 and its analogues that targeted HIF-1α, and to misappropriate the business opportunities associated with the commercialization of YC-1 and its analogues as anti-angiogenic, anti-cancer agents, thereby conducting, and participating in the conduct, of a RICO Enterprise through a

pattern of racketeering activity, comprised of repeated violations of mail and wire fraud statutes.

148. Commencing sometime in early 2000, YUNG SHIN, FANG-YU LEE, and TENG conspired with each other and carried out a scheme to (a) misappropriate from JW PARK and YS CHUN the inventorship/discovery of the novel properties and applications of YC-1; (b) misappropriate from JW PARK, YS CHUN, and their assignees (that is, BIZBIOTECH and HIF BIO, two start-up companies formed to commercialize YC-1 as anti-cancer drugs) the opportunity to commercialize YC-1 and other analogue compounds targeting HIF-1α for their anti-angiogenic, anti-cancer properties; (c) interfere with JW PARK, YS CHUN, BIZBIOTECH, and HIF BIO's ability to obtain recognition, credit, and patent protection in the United States and abroad for the invention/discovery of the anti-cancer applications of YC-1; (d) interfere with JW PARK, YS CHUN, BIZBIOTECH, and HIF BIO's opportunities and efforts to develop and commercialize YC-1 and its analogues as anti-cancer drugs, and to obtain funding and/or enter into joint venture/partnership opportunities with larger biopharmaceutical companies with respect to the same; and (e) defame and diminish the reputation and the accomplishments of JW PARK and YS CHUN as the true inventors/discoverers of the novel properties and applications of YC-1, and thereby cloud JW PARK, YS CHUN, BIZBIOTECH, and HIF BIO's rights, benefits, and opportunities arising out of the said inventorship/discovery.

149. As part of their scheme to defraud and misappropriate properties, rights, and benefits rightfully belonging to JW PARK, YS CHUN, and PLAINTIFFS, Defendants YUNG SHIN, FANG-YU LEE, and TENG caused numerous false and misleading statements to be made by TENG to JW PARK, through the use of international wire facilities, over the course of 2-1/2 years, which statements YUNG SHIN, FANG-YU LEE, TENG, and other defendants knew to be patently false. Those statements, identified in greater detail in Paragraphs 49-55 hereinabove, violated 18 U.S.C. § 1343 and, collectively with other false and misleading statements identified therein, constituted a pattern of racketeering activity under 18 U.S.C. § 1962(c). The said statements were made by TENG under the direction of and with full knowledge of YUNG SHIN and FANG-YU LEE, with the express intention to defraud and induce JW PARK and YS CHUN to disclose their ideas, experiments, pre-publication experimental data, and non-public, pre-publication drafts of papers disclosing important novel applications of YC-1 to TENG, so that TENG, YUNG SHIN and FANG-YU LEE could take steps to misappropriate the same, to the detriment of JW PARK, YS CHUN, and PLAINTIFFS, and to lull JW PARK and YS CHUN into false sense of security, while concealing the fact that YUNG SHIN, FANG-YU LEE and TENG were preparing and filing U.S. patent applications that competed with PLAINTIFFS' applications, and falsely claimed that FANG-YU LEE and TENG were the inventors/discoverers of the anti-angiogenic, anti-cancer applications of YC-1.

150. Further Violations of 18 U.S.C. § 1962(c) by Defendants YUNG SHIN, FANG-YU LEE, TENG, CARLSBAD TECHNOLOGY, and YUNG ZIP. Additionally, commencing on or about June 2003 and continuing through late 2004, YUNG SHIN, FANG-YU LEE, TENG, CARLSBAD TECHNOLOGY, and YUNG ZIP made numerous additional false and misleading statements to PLAINTIFFS, with the purpose of defrauding PLAINTIFFS, in addition to lulling JW PARK and YS CHUN into a continuing false sense of security with respect to Defendants' true intentions and their fraudulent conduct. The foregoing RICO Defendants made the said false statements with the intent to, among other things, fraudulently induce PLAINTIFFS to disclose non-public business information, marketing plans and studies, and intellectual property protection strategy pertaining to the novel anti-angiogenic, anti-cancer applications of YC-1 to Defendants, for the benefit of the RICO Enterprise identified hereinabove, thereby conducting, and participating in the conduct, of the said RICO Enterprise through a pattern of racketeering activity, comprised of repeated violations of mail and wire fraud statutes.

151. Defendants YUNG SHIN, FANG-YU LEE, TENG, CARLSBAD TECHNOLOGY, and YUNG ZIP made the false and misleading statements referenced hereinabove to PLAINTIFFS' executives, through international and interstate wire facilities, over the course of almost 1-1/2 years, even though the said Defendants knew those statements to be patently false. Those statements, identified in greater detail in Paragraphs 65-66, 70-72, and 77-80,

violated 18 U.S.C. § 1343 and, collectively with other false and misleading statements identified therein, constituted a pattern of racketeering activity under 18 U.S.C. § 1962(c). The said statements were made by and under the direction of the said RICO Defendants, with the express intention to defraud and induce PLAINTIFFS to disclose their valuable non-public, proprietary business information, marketing plans and studies (including PLAINTIFFS' analysis of the estimated market size and sales volume for YC-1 as an anti-cancer drug), and intellectual property protection strategy pertaining to the novel anti-angiogenic, anti-cancer applications of YC-1 to YUNG SHIN, FANG-YU LEE, TENG, and YUNG ZIP, so that the foregoing RICO Defendants could take steps to misappropriate the same, to the detriment of PLAINTIFFS, as well as Professors JW PARK and YS CHUN.

152. Furthermore, in connection with their scheme to injure PLAINTIFFS and impede PLAINTIFFS' and Professors JW PARK and YS CHUN's efforts to further develop and commercialize YC-1 as an anti-cancer drug, among other things, YUNG SHIN, FANG-YU LEE, and TENG caused the false statement that FANG-YU LEE and TENG (rather than JW PARK and YS CHUN) invented/discovered the anti-cancer applications of YC-1, to be published and disseminated to the public at large, through press releases and statements submitted through the use of U.S. mail and international and interstate wire facilities to the U.S. Patent and Trademark Office in conjunction with YUNG SHIN's patent applications, which statements Defendants knew would be published,

republished, and become known to the general public, and would thereby prevent PLAINTIFFS from obtaining additional funding and entering into joint ventures and/or research partnership agreements with respect to YC-1.

153. PLAINTIFFS further allege upon information and belief that YUNG SHIN, FANG-YU LEE, and TENG caused statements to be submitted to the F.D.A., through the use of U.S. mail and international and interstate wire facilities, in connection with an application for an Investigational New Drug ("IND") Application, which statements falsely and incorrectly repeated the claim that FANG-YU LEE and TENG were the inventors/ discoverers of the anti-cancer properties of YC-1, and/or that YUNG SHIN had the rights to the same by way of an assignment and was the *de facto* owner of the INVENTION, when the said RICO Defendants knew each such statement to be false.

154. PLAINTIFFS also allege upon information and belief that the aforementioned RICO Defendants made the said statements in furtherance of their scheme to defraud PLAINTIFFS and misappropriate their rights to the anti-cancer applications of YC-1, hinder PLAINTIFFS' known efforts to develop and commercialize YC-1 as an anti-cancer drug, and deprive PLAINTIFFS of their right to fair and honest services of the F.D.A., in violation of 18 U.S.C. §§ 1343 and 1346, in addition to 18 U.S.C. § 1001, and collectively with other false and misleading statements identified herein, constituted a pattern of racketeering activity under 18 U.S.C. § 1962(c).

155. PLAINTIFFS are also informed and believe, and thereon allege, that Defendants have obtained income from at least one Taiwanese government source, in part by referencing the aforementioned U.S. Patent Applications and/or IND Applications pending before the U.S.P.T.O. and the F.D.A., respectively, while concealing the fact that the said applications included false and misleading statements concerning the inventorship and ownership of the anti-angiogenic, anti-cancer applications of YC-1.

156. Additional Violations of 18 U.S.C. § 1962(c) by Defendants YUNG SHIN, FANG-YU LEE, TENG, TSAO, and F&R. PLAINTIFFS are informed and believe, and thereon allege, that commencing in early 2000, but in no event later than January 2002, YUNG SHIN, FANG-YU LEE, TENG, TSAO, and F&R conspired with each other to prepare and submit to the U.S.P.T.O., and did submit to the U.S.P.T.O, numerous false statements, made under penalty of perjury, claiming that FANG-YU LEE and TENG were the inventors/discoverers of the novel anti-cancer applications of YC-1, and that YUNG SHIN held the rights to the same by way of a valid assignment, even though (a) YUNG SHIN, FANG-YU LEE, and TENG knew that those statements were false, and (b) that such false statements would be disclosed and disseminated to the public upon publication of the patent applications within eighteen (18) months from their initial filing, to the detriment of PLAINTIFFS.

157. PLAINTIFFS are also informed and believe, and thereon allege, that TSAO and F&R also

knew the foregoing statement to be false by December 2003, if not sooner, in that on or about December 26, 2003, TSAO and F&R received from PLAINTIFFS a written notice that included copies of prior email correspondence between TENG and Professor JW PARK and other evidence establishing that neither FANG-YU LEE nor TENG were the inventors/discoverers of the anti-cancer applications of YC-1, and that FANG-YU LEE and TENG had no rights to the INVENTION that they could assign to YUNG SHIN.

158. Notwithstanding the foregoing, F&R and TSAO prepared and filed, and continued to prepare, file, submit, and prosecute, patent applications, using international and interstate mail and wire facilities, which applications represented to the U.S.P.T.O. that FANG-YU LEE and TENG were in fact the inventors/discoverers of anti-angiogenic, anti-cancer applications of YC-1. The false and misleading statements made by FANG-YU LEE, TENG, and YUNG SHIN, and transmitted to TSAO and F&R, and reviewed and submitted by TSAO and F&R to the U.S.P.T.O. via U.S. mail facilities, for the benefit of the aforementioned RICO Enterprise, which statements and related patent documents are identified in greater detail in Paragraphs 85-87, and 89-91 hereinabove, violated 18 U.S.C. §§ 1341, 1343 and 1346, in addition to 18 U.S.C. § 1001, and collectively with other false and misleading statements identified herein constituted a pattern of racketeering activity under 18 U.S.C. § 1962(c).

THE RICO "ENTERPRISE" UNDER 18 U.S.C. § 1962(A)

159. As alleged in Paragraphs 160 through 165 hereinbelow, Defendants also violated 18 U.S.C. § 1962(a) by directly and indirectly using and/or investing income derived from a pattern of racketeering activity in the operation of one or more Section 1962(a) RICO Enterprise, and by engaging and participating in a conspiracy to engage in such violations.

160. PLAINTIFFS allege that for the purposes of 18 U.S.C. § 1962(a), the RICO Enterprise is constituted of YUNG SHIN, or alternatively, an association-in-fact comprised of YUNG SHIN and TENG.

161. PLAINTIFFS are informed and believe, and thereon allege, that the Section 1962(a) RICO Enterprise and the Section 1962(c) RICO Enterprise, as defined hereinabove, are, and have engaged in, legitimate, non-criminal business activities.

162. PLAINTIFFS are informed that the Section 1962(a) RICO Enterprise, defined alternatively as YUNG SHIN or as an association-in-fact comprised of YUNG SHIN and TENG, have been in the business of researching, making, selling, and distributing pharmaceutical products in Taiwan and in the United States, including California, as well as attempting to acquire, develop, and manage new drugs and pharmaceutical products and companies in the United States.

VIOLATIONS OF 18 U.S.C. § 1962(A)

163. Violation of 18 U.S.C. § 1962(a) by Defendants YUNG SHIN, FANG-YU LEE, and TENG. PLAINTIFFS are informed and believe (based upon, among other things, YUNG SHIN's admissions), and thereon allege, that Defendants YUNG SHIN, FANG-YU LEE, and TENG, acting through YUNG SHIN's chief executive officer/general manager, knowingly caused statements to be made to at least one Taiwanese government agency, which statements falsely and incorrectly stated that FANG-YU LEE and TENG were the inventors/ discoverers of the anti-cancer properties of YC-1; that YUNG SHIN had the rights to the same by way of a valid assignment; that YUNG SHIN had applied for one or more valid U.S. patent applications; and that YUNG SHIN was applying for Investigation New Drug ("IND") status with the F.D.A. in order to commercialize YC-1 as an anti-cancer drug in the United States, when in reality the RICO Defendant knew such statements to be false, in that FANG-YU LEE and TENG were not the inventors/discoverers of the anti-angiogenic, anti-cancer properties of YC-1, their purported assignment of their alleged "invention" or "discovery" to YUNG SHIN was therefore invalid, YUNG SHIN's alleged U.S. patent applications, along with their F.D.A. Investigational New Drug Application submissions, were sham, because they were based on false claims of inventorship and ownership, and any purported interest(s) claimed by YUNG SHIN, FANG-YU LEE, and TENG were obtained through racketeering activities and fraudulent schemes directed at the

true inventors/discoverers of the anti-cancer applications of YC-1 (that is, JW PARK and YS CHUN) and their assignees (that is, HIF BIO and BIZBIOTECH), as alleged hereinabove.

164. PLAINTIFFS are informed and believe (based upon, among other things, information provided by YUNG SHIN's corporate officers), and thereon allege, sometime in 2002 or 2003, YUNG SHIN and TENG obtained income in the form of grants, research funding, and/or loans from at least one Taiwanese government sources, by repeating the false and misleading representations of inventorship and ownership to YC-1 as identified hereinabove, and by referencing the proprietary materials, information, and business and technical information misappropriated from PLAINTIFFS, JW PARK, and YS CHUN through RICO violations and assorted racketeering activities directed at the PLAINTIFFS as alleged hereinabove.

165. PLAINTIFFS further allege upon information and belief that the said RICO Defendants invested the aforementioned income in a RICO Enterprise within the meaning of 18 U.S.C. 1962(a), comprised of YUNG SHIN or, alternatively, an association-in-fact comprised of YUNG SHIN and TENG, and used the said income to operate the said RICO Enterprise. More specifically, PLAINTIFFS allege upon information and belief that some of the foregoing income was used, and is being used, to finance research projects designed to generate experimental data necessary to commercialize YC-1 as an anti-cancer drug, as well as identify close analogues to YC-1 with similar anti-cancer

properties, and thereby compete unfairly with PLAINTIFFS. PLAINTIFFS are also informed and believe, and thereon allege, that another portion of the said income is being used by the RICO Defendants to finance and expedite their IND Application that is being filed with the F.D.A., which is expected cost between US$ 5 - 20 Million, in direct competition with PLAINTIFFS' business and to the detriment of the same.

THE PATTERN OF RACKETEERING ACTIVITY

166. PLAINTIFFS allege that commencing in late 1999 and continuing to this date, Defendants have engaged in multiple predicate acts in furtherance of related fraudulent schemes as alleged herein, and that such predicate acts, continuing over the course of more than six (6) years, show continuity and similarity of purpose, results, participants, and victims, and form a "pattern of racketeering activity" within the meaning of 18 U.S.C. § 1961 *et seq.*

167. As set forth in greater detail in Paragraphs 49-53, 54(d) and (g), 65-66, 70-72, and 78-80, and Paragraphs 86-91 hereinabove, the RICO Defendants committed multiple violations of wire and mail fraud statutes, 18 U.S.C. §§ 1341, 1343, and 1346, in furtherance of several overlapping schemes to defraud Professors JW PARK and YS CHUN, and PLAINTIFFS HIF BIO and BIZBIOTECH, with the specific intent to defraud and deprive the PLAINTIFFS, among others, of money and property, including confidential proprietary business information, among other

things, and the PLAINTIFFS were in fact deprived of the same. The PLAINTIFFS were also deprived of their right to honest services, as provided in 18 U.S.C. § 1346, in that the RICO Defendants submitted false statements to the U.S. Patent and Trademark Office and the F.D.A. via interstate and/or international wire facilities, to the detriment of PLAINTIFFS and in violation of their right to a fair, honest, and just adjudication of matters pending before the said government agencies.

INJURY TO PLAINTIFFS

168. As a direct, proximate, reasonable, and foreseeable result of Defendants' racketeering activities alleged hereinabove, PLAINTIFFS were injured in their business and property, in that they were fraudulently induced to release to YUNG SHIN, FANG-YU LEE, TENG, and YUNG ZIP non-public information, reports, and proprietary business information concerning the development, marketing, and commercialization of YC-1 as an anti-cancer drug. PLAINTIFFS were also injured because of the cloud on their ownership, by way of an assignment, of the anti-cancer applications of YC-1, caused by the Defendants' unlawful and fraudulent conduct as alleged herein, which conduct has caused PLAINTIFFS to lose business opportunities, including opportunities for funding, investment, joint venture and partnership opportunities, and public accolade; increased and/or additional legal fees necessitated by the Defendants' filing of competing (and fraudulent) patent applications; lost revenues resulting from Defendants' unlawful conduct, which has caused delays in PLAINTIFFS' efforts to further

develop and commercialize YC-1 as an anti-cancer drug, obtain patent protection and F.D.A. approval for the same, take the said drug to the market, and enjoy the benefit of the full term legally available under the Patent Act; deprived the PLAINTIFFS of fair, honest, and just proceedings before the U.S. Patent and Trademark Office and the F.D.A.; and incurred competitive injury as a result of the Defendants' use of the proceeds of the income, in the form of grants or research funding, obtained through a pattern of racketeering activity to fund and generate additional experimental data on the efficacy of YC-1, and on other YC-1 analogues with similar anti-cancer applications.

169. Defendants' racketeering activities alleged hereinabove also injured Professors JW PARK and YS CHUN in their business and property, in that they were fraudulently induced to release to YUNG SHIN, FANG-YU LEE, and TENG non-public drafts and reports of their research and experiments involving anti-cancer applications of YC-1. They were also injured because of the cloud on their inventorship of the anti-cancer applications of YC-1 and their ownership rights thereto, and because they lost business opportunities, including opportunities for funding, investment, joint venture and partnership opportunities, and public accolade as a result of Defendants' conduct.

170. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS been damaged in the sum according to proof at trial, but at least US$284 Million.

171. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages, including statutory treble damages, in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be proper.

IV.
FOURTH CLAIM OF RELIEF

(SLANDER OF TITLE, AS AGAINST ALL DEFENDANTS)

172. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 171 and the allegations therein as though fully set forth herein.

173. The actions and omissions of Defendants, and each one of them, constitute continuing slander of title and rights of and to property and assets of BIZBIOTECH and HIF BIO, including, without limitations, title and rights of and to the INVENTION, and the claim of inventorship/discovery of the same.

174. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS have been damaged in the sum according to proof at trial, but at least US$ 284 Million.

175. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

V.
FIFTH CLAIM OF RELIEF

(CONVERSION, AS AGAINST ALL DEFENDANTS)

176. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 175 and the allegations therein as though fully set forth herein.

177. PLAINTIFFS are informed and believe, and thereon allege, that Defendants, and each of them, willfully and intentionally converted property and assets of PLAINTIFFS, including documents and files containing valuable business reports, research data, and proprietary information of PLAINTIFFS, and interfered with HIF BIO's enjoyment and rights to the same, for Defendants' own exclusive personal benefit and use, in intentional disregard of the rights of HIF BIO thereto.

178. Defendants, and each of them, refuse to return, turn over, and release to HIF BIO the

aforementioned property and assets taken or misappropriated from HIF BIO without proper consent, and Defendants, and each of them, continue to unlawfully withhold the possession of said property and assets, are using the same for their own profit, in violation of HIF BIO's exclusive possessory rights to the same, and are interfering with HIF BIO's rights to the said property and assets.

179. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS have been damaged in the sum according to proof at trial, but not less than US$ 284 Million.

180. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

VI.
SIXTH CLAIM OF RELIEF

(ACTUAL AND CONSTRUCTIVE FRAUD, AS AGAINST ALL DEFENDANTS)

181. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 180 and the allegations therein as though fully set forth herein.

182. The actions and omissions of Defendants, and each one of them, constitute actual and constructive fraud under California law upon HIF BIO.

183. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS have been damaged in the sum according to proof at trial, but at least US$ 284 Million.

184. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

VII.
SEVENTH CLAIM OF RELIEF

(INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE, AS AGAINST ALL DEFENDANTS)

185. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 184 and the allegations therein as though fully set forth herein.

186. During the time periods relevant to this action, a contractual and/or other valuable economic relationships, and/or valuable prospective economic relationship, existed between one or more PLAINTIFFFS, on the one hand, and third party investor(s), on the other hand. Defendants knew about the foregoing contractual and/or economic relationships, and/or they should have known of the same had they exercised reasonable care. Defendants intentionally and/or recklessly disregarded PLAINTIFFS' rights with respect to such contractual and/or economic relationships, by intentional and/or recklessly engaging in conduct that induced such third parties to breach or abandon their contractual or economic relationship with one or more PLAINTIFFS, even though they knew that their conduct would lead to such breach or abandonment and result in injury to PLAINTIFFS.

187. As a result of the Defendants' conduct, the contractual and economic relationship between each PLAINTIFF, on the one hand, and the said third parties, on the other hand, was actually breach and disrupted.

188. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, each PLAINTIFF has been damaged in the sum according to proof at trial, but at least US$ 284 Million.

189. Each Plaintiff is informed and believes, and thereon alleges, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice,

fraudulent intent and/or oppression, and in conscious disregard of the rights of such Plaintiff, justifying the awarding of exemplary and punitive damages in favor of each Plaintiff and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

VIII.
EIGHTH CLAIM OF RELIEF

(NEGLIGENT INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE, AS AGAINST ALL DEFENDANTS)

190. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 189 and the allegations therein as though fully set forth herein.

191. By virtue of their relationship with PLAINTIFFS as alleged in this First Amended Complaint, by their course of dealing, and the representations made by Defendants to PLAINTIFFS since late 1999, Defendants owed a duty of care to each one of the PLAINTIFFS.

192. During the time periods relevant to this action, a contractual and/or other valuable economic relationships, and/or valuable prospective economic relationship, existed between one or more PLAINTIFFS, on the one hand, and third party investor(s), on the other hand. Defendants should have known about the foregoing contractual and/or economic relationships had they exercised reasonable

care and, in any event, they knew about the said relationships.

193. Defendants recklessly and/or negligently disregarded PLAINTIFFS' rights with respect to such contractual and/or economic relationships, by recklessly and/or negligently engaging in conduct that induced such third parties to breach or abandon their contractual or economic relationship with one or more PLAINTIFFS, even though they knew that their conduct would lead to such breach or abandonment and result in injury to PLAINTIFFS.

194. As a result of the Defendants' conduct, the contractual and economic relationship between each PLAINTIFF, on the one hand, and the said third parties, on the other hand, was actually breached and disrupted.

195. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, each PLAINTIFF has been damaged in the sum according to proof at trial, but at least US$ 284 Million.

196. Each Plaintiff is informed and believes, and thereon alleges, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of such Plaintiff, justifying the awarding of exemplary and punitive damages in favor of each Plaintiff and against said Defendants,

and each of them, in such manner as this Court shall determine to be just and reasonable.

IX.
NINTH CLAIM OF RELIEF

(BREACH OF IMPLIED CONTRACT, AS AGAINST DEFENDANTS YUNG SHIN, FANG-YU LEE, TENG, CARLSBAD TECHNOLOGY, AND YUNG ZIP)

197. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 196 and the allegations therein as though fully set forth herein.

198. By virtue of the actions, statements, and conduct between YUNG SHIN, FANG-YU LEE, TENG, YUNG ZIP, and CARLSBAD TECHNOLOGY, on the one hand, and the INVENTORS and BIZBIOTECH, on the other hand, an implied contract was created between and among the parties (including BIZBIOTECH's assignee, HIF BIO), if an enforceable express contract did not exist, whereby the said Defendants supplied YC-1 to the INVENTORS for the limited purpose of receiving joint authorship credit for FANG-YU LEE and TENG, and to gain access to experimental data regarding the INVENTION gathered by the INVENTORS.

199. The said Defendants breached the said obligation by misappropriating the INVENTION and the experimental data related thereto, and by falsely claiming to the world and to numerous governmental agencies in the United States and abroad that

FANG-YU LEE and TENG are the inventors/discoverers of the INVENTION.

200. As a direct and proximate result of Defendants acts, and their threatened and imminent acts, HIF BIO has been and will be substantially and irreparably injured in its business and property, and HIF BIO has sustained and will continue to sustain substantial damage to its business, goodwill, intellectual property, reputation, and profits in an amount not presently known.

201. HIF BIO does not have adequate remedy at law against this threatened or actual infringement and interference with HIF BIO's rights. Without injunctive relief, HIF BIO would be required to bring numerous and successive actions for damages each time one or more of the Defendants were to engage in the injurious conduct alleged herein, otherwise falsely claim inventorship of YC-1, or interfere with HIF BIO's rights in the same.

202. Preliminary and permanent injunctive relief, in the form of a temporary restraining order and preliminary injunction, and permanent injunction, are necessary and appropriate at this time because substantial and irreparable damage is imminent and will occur to HIF BIO before a trial can be held in this action.

203. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS have been damaged in the sum according to proof at trial, but at least US$ 284 Million.

X.
TENTH CLAIM OF RELIEF

(UNFAIR COMPETITION AND FRAUDULENT BUSINESS PRACTICES [CAL. BUS. & PROF. C. § §17200 et seq.], AS AGAINST ALL DEFENDANTS))

204. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 203 and the allegations therein as though fully set forth herein.

205. The acts and omissions of Defendants alleged hereinabove in this First Amended Complaint constitutes unfair, unlawful and fraudulent business practices in violation of California Business and Professional Code §17200 *et seq.*

206. These wrongful acts, have proximately caused and will continue to cause to each Plaintiff substantial injury, including loss of profits; loss of market share; dilution of its good will; confusion of potential customers, investors, and joint venture partners; injury to its reputation; diminution and/or loss of value in its intellectual property and other assets; and loss of exclusive rights available under U.S. patent laws, all in violation of statutory provisions and common law identified in this First Amended Complaint. These actions will cause imminent irreparable harm and injury to HIF BIO, the amount of which is at least of US$ 284 Million. HIF BIO is without an adequate remedy at law, and therefore HIF BIO is entitled to an injunction restraining the Defendants, their officers, agents,

employees and all persons acting in concert with them from engaging in further such unlawful conduct.

207. HIF BIO is also entitled to recover from Defendants the damages sustained by it as a result of Defendants' wrongful acts as hereinabove alleged, and disgorgement of wrongful gains and profits and other benefits obtained by Defendants from their conduct, in excess of US$ 284 Million.

208. HIF BIO is further entitled to restitution of protected and/or proprietary information, assets, and property obtained by Defendants through their fraudulent, unfair, unlawful, or otherwise improper conduct, including the reasonable value of the same, in the sum according to proof at trial, but at least US$ 284 Million.

209. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

XI.
ELEVENTH CLAIM OF RELIEF

(UNJUST ENRICHMENT-CONSTRUCTIVE TRUST, AS AGAINST ALL DEFENDANTS)

210. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 209 and the allegations therein as though fully set forth herein.

211. PLAINTIFFS are informed and believe, and thereon allege, that by reason of the above described wrongful acts and omissions of Defendants, and each of them, have wrongfully and improperly been unjustly enriched by the their fraudulent and tortious conduct, and by their unlawful misappropriation of the inventorship of the INVENTION and their unauthorized taking and use of property and assets rightfully belonging to PLAINTIFFS.

212. As a direct, proximate, reasonable, and foreseeable result of the above-referenced conduct of the said Defendants, and each of them, PLAINTIFFS, collectively and individually, have suffered monetary injury, and that Defendants have been unjustly enriched in the sum according to proof at trial, but at least US$ 284 Million.

213. PLAINTIFFS respectfully requests that order issue from this Court declaring all of the aforementioned assets of PLAINTIFFS unlawfully taken by Defendants; the proceeds of the use or license of such assets; all personal property obtained and/or derived from such assets remaining in the

possession, custody, or control of Defendants; all proceeds and income obtained by Defendants from their misappropriation and fraudulent claim of inventorship of the INVENTION, and by each one of them, to be held by said Defendant in constructive trust for the benefit of PLAINTIFFS. PLAINTIFFS further request an order that Defendants, and each of them, be compelled to tender and deliver the amounts so held in constructive trust to PLAINTIFFS, at their election.

214. PLAINTIFFS are informed and believe, and thereon allege, that said Defendants, and each of them, engaged in the conduct described hereinabove willfully, wantonly, with malice, fraudulent intent and/or oppression, and in conscious disregard of the rights of PLAINTIFFS, justifying the awarding of exemplary and punitive damages in favor of PLAINTIFFS and against said Defendants, and each of them, in such manner as this Court shall determine to be just and reasonable.

XII.
TWELFTH CLAIM OF RELIEF

(PERMANENT INJUNCTION, AS AGAINST ALL DEFENDANTS)

215. PLAINTIFFS reallege and incorporate by reference Paragraphs 1 through 214 and the allegations therein as though fully set forth herein.

216. Defendants' unlawful and/or unauthorized violations of PLAINTIFFS' rights; misappropriation of the ownership of the

INVENTION and the inventorship/discovery to the same; the false, misleading, and fraudulent statements made in interstate commerce; and their threats to continue to engage in such unlawful conduct, constitute actual and threatened violation of PLAINTIFFS' rights as alleged hereinabove,

217. As a direct and proximate result of Defendants' threatened and imminent acts, PLAINTIFFS have been and will be substantially and irreparably injured in their business and property, and additionally have sustained and will continue to sustain substantial damage to their business, goodwill, intellectual property, reputation, and profits in an amount not presently known.

218. PLAINTIFFS have no adequate remedy at law against this threatened or actual violation of its rights. Without injunctive relief, PLAINTIFFS would be required to bring numerous and successive actions for damages each time one or more of the Defendants were to engage in the conduct alleged hereinabove.

219. Moreover, injunctive relief, in the form of a temporary restraining order and preliminary injunction, and permanent injunction, are necessary and appropriate at this time because substantial and irreparable damage is imminent and will occur to PLAINTIFFS before a trial can be held in this action.

WHEREFORE, each Plaintiff prays for judgment against Defendants, and each of them, as follows:

On the FIRST CLAIM OF RELIEF:

1. A judicial declaration and order adjudging JW PARK and YS CHUN to be the original owners of the INVENTION, and adjudging that FANG-YU LEE and TENG are not the original owners of the INVENTION, and a declaration of the respective rights and duties of the said persons and/or parties with respect to the ownership of the INVENTION;

2. Further declaration and order adjudging HIF BIO to be the sole current owner of the INVENTION by way of an assignment of rights from JW PARK and YS CHUN to BIZBIOTECH, and from BIZBIOTECH to HIF BIO, and adjudging that YUNG SHIN and CARSLBAD TECHNOLOGY are not the current owners of the INVENTION, and a declaration of the respective rights and duties of the said parties with respect to the ownership of the INVENTION;

3. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

4. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any; and

5. For such other and further relief as the Court may deem proper.

On the SECOND CLAIM OF RELIEF:

1. A judicial declaration and order adjudging JW PARK and YS CHUN to be the first persons to invent/discover the INVENTION, and adjudging that FANG-YU LEE and TENG did not first invent/discover the INVENTION, and a declaration of the respective rights and duties of the said persons and/or parties with respect to the inventorship of the INVENTION;

2. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

3. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any; and

4. For such other and further relief as the Court may deem proper.

On the THIRD, FOURTH, FIFTH, SIXTH, and SEVENTH CLAIMS OF RELIEF, inclusive:

1. For general damages according to proof at trial, in an amount not less than US$ 284 Million;

2. For special damages according to proof at trial, in an amount not less than US$ 284 Million;

3. For an award of prejudgment interest at the rate allowed by law;

4. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

5. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any;

6. For punitive and exemplary damages according to proof at trial, including, without limitations, mandatory treble damages as available under applicable law;

7. For injunctive relief; and

8. For such other and further relief as the Court may deem proper.

On the EIGHTH CLAIM OF RELIEF:

1. For general damages according to proof at trial, in an amount not less than US$ 284 Million;

2. For special damages according to proof at trial, in an amount not less than US$ 284 Million;

3. For an award of prejudgment interest at the rate allowed by law;

4. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

5. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any;

6. For injunctive relief; and

7. For such other and further relief as the Court may deem proper.

On the TENTH CLAIM OF RELIEF:

1. For general damages according to proof at trial, in an amount not less than US$ 284 Million;

2. For special damages according to proof at trial, in an amount not less than US$ 284 Million;

3. For an award of prejudgment interest at the rate allowed by law;

4. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

5. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any;

6. For specific performance; and

7. For such other and further relief as the Court may deem proper.

On the NINTH, ELEVENTH, and TWELFTH CLAIMS OF RELIEF, inclusive:

1. For restitution according to proof at trial and as allowed by the law, in an amount not less than US$ 284 Million;

2. For reasonable attorneys' fees herein incurred by PLAINTIFFS pursuant to applicable law, if any;

3. For costs of suit herein incurred by PLAINTIFFS pursuant to applicable law, if any; and

4. For injunctive relief, including an order enjoining and permanently restraining Defendants and their employees, agents, representatives, and attorneys and all other persons, firms, or corporation in active concert or participation with them, from representing that FANG-YU LEE and TENG, and each one of them, is or are an inventor of the INVENTION, and otherwise violating upon PLAINTIFFS' rights as set forth hereinabove, or that any of their assignees, including, without limitations, YUNG SHIN or CARLSBAD TECHNOLOGY, is the rightful owner of the INVENTION.

Dated: March 6, 2006

LEE ANAV CHUNG LLP

By: _____

Bub-Joo S. Lee

Attorney for Plaintiffs HIF BIO, INC. and BIZBIOTECH CO. LTD.

DEMAND FOR JURY TRIAL

PLAINTIFFS HIF BIO, INC. and BIZBIOTECH CO. LTD. hereby demand a trial by jury of all issues triable as of right by jury in connection with the above-captioned action.

Dated: March 6, 2006

LEE ANAV CHUNG LLP

By: _____
Bub-Joo S. Lee
Attorney for Plaintiffs HIF BIO, INC. and BIZBIOTECH CO. LTD.

EXHIBIT A

Attorney's Docket No.: 10457-015001
Client's Ref. No.:

COMBINED DECLARATION AND POWER OF ATTORNEY

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am an original, first and joint inventor of the subject matter which is claimed and for which a patent is sought on the invention entitled ANGIOGENESIS INHIBITORS, the specification of which was filed on May 16, 2002 as Application Serial No. 10/147,445.

I hereby state that I have reviewed and understand the contents of the above-identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose all information I know to be material to patentability in accordance with Title 37, Code of Federal Regulations, §1.56.

I hereby claim the benefit under Title 35, United States Code, §119(e)(1) of any United States provisional application(s) listed below:

U.S. Serial No.	Filing Date	States
60/263,782	March 29, 2002	

I hereby appoint the following attorneys and/or agents to prosecute this application and to transact all business in the Patent and Trademark Office connected therewith:

Y. Rocky Tsao, Reg. No. 34,053
Jeffrey D. Hsi, Reg. No. 40,024
Harold H. Fox, Reg. No. 41,498
Frank R. Occhiuti, Reg. No. 35,306
John F. Hayden, Reg. No. 37,640

Address all telephone calls to Y. ROCKY TSAO at telephone number (617) 542-5070.

Address all correspondence to Y. ROCKY TSAO at

FISH & RICHARDSON P.C.
225 Franklin Street
Boston, Massachusetts 02110-2804

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patents issued thereon.

Full Name of Inventor: CHE-MING TENG

Inventor's Signature: _____ Date: _____
Residence Address: No. 100, Syg-Wei Road, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: No. 100, Syg-Wei Road,Taipei, Taiwan

Attorney's Docket No.: 10457-015001
Client's Ref. No.:

Combined Declaration and Power of Attorney
Page 2 of 2 Pages

Full Name of Inventor: SHENG-CHU KUO

Inventor's Signature: _____ Date: _____
Residence Address: No. 67, Lane 352 Sec. 3, Taiyuan Rd, Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 67, Lane 352 Sec. 3, Taiyuan Rd, Taichung, Taiwan

Full Name of Inventor: FANG YU LEE

Inventor's Signature: _____ Date: _____
Residence Address: No. 1191, Sec. 1, Chung Shan Road, Tachia Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 1191, Sec. 1, Chung Shan Road, Tachia Taichung, Taiwan

Full Name of Inventor: SHIOW-LIN PAN

Inventor's Signature: _____ Date: _____
Residence Address: 3F-1, No. 28m, Lane 265, Sin-Yi Road, Sec. 4, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: 3F-1, No. 28m, Lane 265, Sin-Yi Road, Sec. 4, Taipei, Taiwan

Full Name of Inventor: JIH HWA GUH

Inventor's Signature: _____ Date: _____
Residence Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan

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Attorney's Docket No.: 10457-015001
Client's Ref. No.:

Combined Declaration and Power of Attorney
Page 2 of 2 Pages

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Citizenship: Taiwan
Post Office Address: No. 67, Lane 352 Sec. 3, Taiyuan Rd, Taichung, Taiwan

Full Name of Inventor: FANG YU LEE

Inventor's Signature: _____ Date: _____
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Citizenship: Taiwan
Post Office Address: No. 1191, Sec. 1, Chung Shan Road, Tachia Taichung, Taiwan

Full Name of Inventor: SHIOW-LIN PAN

Inventor's Signature: _____ Date: _____
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Citizenship: Taiwan
Post Office Address: 3F-1, No. 28m, Lane 265, Sin-Yi Road, Sec. 4, Taipei, Taiwan

Full Name of Inventor: JIH-HWA GUH

Inventor's Signature: _____ Date: _____
Residence Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan

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EXHIBIT B

Attorney's Docket No.: 10457-015001
Client's Ref. No.:

COMBINED DECLARATION AND POWER OF ATTORNEY

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am an original, first and joint inventor of the subject matter which is claimed and for which a patent is sought on the invention entitled ANGIOGENESIS INHIBITORS, the specification of which was filed on May 16, 2002 as Application Serial No. 10/147,445.

I hereby state that I have reviewed and understand the contents of the above-identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose all information I know to be material to patentability in accordance with Title 37, Code of Federal Regulations, §1.56.

I hereby claim the benefit under Title 35, United States Code, §119(e)(1) of my United States provisional application(s) listed below:

U.S. Serial No.	Filing Date	States
60/263,782	March 29, 2002	

I hereby appoint the following attorneys and/or agents to prosecute this application and to transact all business in the Patent and Trademark Office commercial therewith:

Y. Rocky Tsao, Reg. No. 34,053
Jeffrey D. Hsi, Reg. No. 40,024
Harold H. Fox, Reg. No. 41,498
Frank R. Occhiuti, Reg. No. 35,306
John F. Hayden, Reg. No. 37,640

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Address all correspondence to Y. ROCKY TSAO at:

FISH & RICHARDSON P.C.
225 Franklin Street
Boston, Massachusetts 02110-2804

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and future that these statements were made with the knowledge that willful false statements and the like so much are punishable by fine or imprisonment, or both, under Section 1004 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patents issued thereon.

Full Name of Inventor: CHE-MING TENG

Inventor's Signature: _____ Date: _____
Residence Address: No. 100, Syg-Wei Road, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: No. 100, Syg-Wei Road,Taipei, Taiwan

Attorney's Docket No.: 10457-015001
Client's Ref. No.:

Combined Declaration and Power of Attorney
Page 2 of 2 Pages

Full Name of Inventor: SHENG-CHU KUO

Inventor's Signature: _____ Date: _____
Residence Address: No. 67, Lane 352 Sec. 3, Taiyuan Rd, Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 67, Lane 352 Sec. 3, Taiyuan Rd, Taichung, Taiwan

Full Name of Inventor: FANG YU LEE

Inventor's Signature: _____ Date: _____
Residence Address: No. 1191, Sec. 1, Chung Shan Road, Tachia Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 1191, Sec. 1, Chung Shan Road, Tachia Taichung, Taiwan

Full Name of Inventor: SHIOW-LIN PAN

Inventor's Signature: _____ Date: _____
Residence Address: 3F-1, No. 28m, Lane 265, Sin-Yi Road, Sec. 4, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: 3F-1, No. 28m, Lane 265, Sin-Yi Road, Sec. 4, Taipei, Taiwan

Full Name of Inventor: JIH-HWA GUH

Inventor's Signature: _____ Date: _____
Residence Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: B1, No. 60, Lane 394, Wu-Hsing Road, Taipei, Taiwan

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EXHIBIT C

Attorney's Docket No.: 10457-023001

COMBINED DECLARATION AND POWER OF ATTORNEY

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name.

I believe I am an original, first and joint inventor of the subject matter which is claimed and for which a patent is sought on the invention entitled CANCER TREATMENT, the specification of which is attached hereto.

I hereby state that I have reviewed and understand the contents of the above-identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose all information I know to be material to patentability in accordance with Title 37, Code of Federal Regulations, §1.56.

I hereby claim the benefit under Title 35, United States Code, §119(c)(1) of any United States provisional application(s) listed below:

U.S. Serial No.	Filing Date	Status
60/368,892	March 29, 2002	Pending

I hereby claim the benefit under Title 35, United States Code, §120 of any United States application(s) listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States application in the manner provided by the first paragraph of Title 35, United States Code, §112, I acknowledge the duty to disclose all information I know to be material to patentability as defined in Title 37, Code of Federal Regulations, §1.56(a) which became available between the filing date of the prior application and the national or PCT international filing date of this application:

U.S. Serial No.	Filing Date	Status
10/147,445	May 16, 2002	Pending

I hereby appoint the following attorneys and/or agents to prosecute this application and to transact all business in the Patent and Trademark Office connected therewith:

Y. Rocky Tsao, Reg. No. 34,053
Jhinnung Han, Reg. No. 54,694
David L. Feigenbaum, Reg. No. 30,378
Frank R. Occhiuti, Reg. No. 35,306
John F. Hayden, Reg. No. 37,640
John T. Kendall, Reg. No. 50,680

Direct all telephone calls to Y.ROCKY TSAO at telephone number (617) 542-5070.

Direct all correspondence to the following:

26161
PTO Customer Number

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patents issued thereon.

Attorney's Docket No.: 10457-023001
Client's Ref. No.:

Combined Declaration and Power of Attorney
Page 2 of 2 Pages

Full Name of Inventor: CHE-MING TEND

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, 106, Taiwan
Citizenship: Taiwan
Post Office Address: No. 100, Si-Wei Road, Da-an District, Taipei, 106, Taiwan

Full Name of Inventor: SHENG-CHU KUO

Inventor's Signature: _____ Date: _____
Residence Address: Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 67, Lane 352, Sec. 3, Tay-Yuan Rd., Taichun, Taiwan

Full Name of Inventor: FANG-YU LEE

Inventor's Signature: _____ Date: _____
Residence Address: Tachia Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 1191, Sec. 1, Chung Shan Rd., Tachia Taichung, Taiwan

Full Name of Inventor: SHIOW-LIN PAN

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: 3F-1, No. 28, Lane 265, Sect. 4, Sin-Yi Road, Da-an District, Taipei, Taiwan

Full Name of Inventor: JIH-HWA GUH

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: B1, No. 60, Lane 394, Wu-sing Street, Sin-yi District, Taipei 110, Taiwan

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Attorney's Docket No.: 10457-023001
Client's Ref. No.:

Combined Declaration and Power of Attorney
Page 2 of 2 Pages

Full Name of Inventor: CHE-MING TEND

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, 106, Taiwan
Citizenship: Taiwan
Post Office Address: No. 100, Si-Wei Road, Da-an District, Taipei, 106, Taiwan

Full Name of Inventor: SHENG-CHU KUO

Inventor's Signature: _____ Date: _____
Residence Address: Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 67, Lane 352, Sec. 3, Tay-Yuan Rd., Taichun, Taiwan

Full Name of Inventor: FANG-YU LEE

Inventor's Signature: _____ Date: _____
Residence Address: Tachia Taichung, Taiwan
Citizenship: Taiwan
Post Office Address: No. 1191, Sec. 1, Chung Shan Rd., Tachia Taichung, Taiwan

Full Name of Inventor: SHIOW-LIN PAN

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: 3F-1, No. 28, Lane 265, Sect. 4, Sin-Yi Road, Da-an District, Taipei, Taiwan

Full Name of Inventor: JIH-HWA GUH

Inventor's Signature: _____ Date: _____
Residence Address: Taipei, Taiwan
Citizenship: Taiwan
Post Office Address: B1, No. 60, Lane 394, Wu-sing Street, Sin-yi District, Taipei, 110, Taiwan

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PROOF OF SERVICE

I am over the age of 18 and am not a party to this action or cause. I am a resident of or employed in the County of Los Angeles. My residence or business address is 555 W. Fifth Street, 31st Floor, Los Angeles, CA 90013.

On March 6, 2006, I served a copy of the following documents:

FIRST AMENDED COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF FOR: (1) DECLARATORY JUDGMENT ON OWNERSHIP; (2) DECLARATORY JUDGMENT ON INVENTORSHIP; (3) RICO [18 U.S.C. § 1961 ET SEQ.]; (4) SLANDER OF TITLE; (5) CONVERSION; (6) ACTUAL AND CONSTRUCTIVE FRAUD; (7) INTENTIONAL INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE; (8) NEGLIGENT INTERFERENCE WITH CONTRACTUAL RELATIONS AND PROSPECTIVE ECONOMIC ADVANTAGE; (9) UNFAIR COMPETITION AND FRAUDULENT BUSINESS PRACTICES [CAL. BUS. & PROF. C. § 17200 ET SEQ.]; (10) BREACH OF IMPLIED CONTRACT; (11) UNJUST ENRICHMENT-CONSTRUCTIVE TRUST; AND (12) PERMANENT INJUNCTION; [DEMAND FOR JURY TRIAL]

( ) and additional documents listed in the attachment hereto,

by enclosing them in an envelope and

( ) [U.S. MAIL] depositing the sealed envelope with the United States Postal Service, with the postage fully prepaid on the date and at the city and state shown below, or

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OPPOSITION BRIEF

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No. 07-1437

In the Supreme Court of the United States

CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO. LTD.
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTION PRESENTED

1. Whether 28 U.S.C. § 1147(c), which provides, *inter alia*, that "[i]f at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded," and 28 U.S.C. § 1447(d), which provides, *inter alia*, that "[a]n order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise," bar the appellate review of the district court's order (a) declining to exercise supplemental jurisdiction over a case arising out of a dispute over the ownership of an invention pursuant to 28 U.S.C. § 1367(c), and (b) remanding the same back to state court.

PARTIES TO THE PROCEEDING

Respondents HIF Bio, Inc. and BizBiotech Co. Ltd. state that all parties to the proceeding in the court of appeal that are interested in the outcome of this petition do appear in the caption of the case on the cover page.

RULE 29.6 STATEMENT

Respondents HIF Bio, Inc. and BizBiotech Co. Ltd. state that all parties to the proceeding in the court of appeal that have an interest in the outcome of this petition do appear in the caption of the case on the cover page.

Respondent HIF Bio, Inc. states that all of its parents companies and any publicly-held companies that own 10% or more of the said respondent's stock are as follows: BizBiotech Co. Ltd.

Respondent BizBiotech Co. Ltd. states that all of its parents companies and any publicly-held companies that own 10% or more of the said respondent's stock are as follows: Korea Schnell Pharmaceutical Co. Ltd.

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In the Supreme Court of the United States

No. 07-1437

CARLSBAD TECHNOLOGY, INC.,
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Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI

Respondents HIF Bio, Inc. and BizBiotech Co. Ltd. (collectively, "Respondents" or "HIF Bio") respectfully submit their brief in opposition to Petitioner CTI's petition for a writ of certiorari seeking review of the decision of the U.S. Court of Appeals for the Federal Circuit.

STATEMENT OF THE CASE

This case arises out of a dispute over the ownership of a potential cancer drug known as "YC-1." Respondents HIF Bio and BizBiotech, as owners of the invention at issue by way of assignments, allege that a Taiwanese professor and several Taiwanese entities misled the original discoverers of the anti-cancer effects of YC-1, and fraudulently induced them to disclose pre-publication research data and confidential business plans and information, and used the information to commercially exploit YC-1 for their own benefit, including filing patent applications in the United States, with the assistance of a wholly owned local subsidiary (Petitioner CTI), falsely claiming to be the inventors, and thus owners, of YC-1. *See, e.g.*, Petitioner's App. 46a-47a & 50a-95a.

These allegations give rise to quintessential state law claims, and Respondents filed their complaint in California state court on September 27, 2005. Petitioner removed the case to federal court on November 8, 2005. Petitioner's App. 7a & 38a.

Petitioner suggests that Respondents' complaint sought from the outset a "declaratory judgment with respect to ownership and inventorship of the alleged invention," and that Respondents' claims gave rise to patent law issues. See Petitioner's Brief at 4 (emphasis added). This is misleading and incorrect.

The original complaint filed in state court sought declaratory judgment under California law only "with respect to the ownership of invention as against all defendants." The complaint was amended on March 7, 2006, well after the removal by

Petitioner to the U.S. District Court for the Central District of California, by adding, among other things, a separate request for declaratory judgment "with respect to the [i]nventorship," in the context of the determination of who owns YC-1. [1]

In short, contrary to Petitioner CTI's suggestions, this petition, while addressing a somewhat complex procedural matter, does not impact upon an "issue of great importance" affecting patents or other substantive issues "exclusively federal."

REASONS WHY THE PETITION SHOULD BE DENIED

A. THE PETITION SHOULD BE DENIED BECAUSE, IN THIS CASE, THE IMPACT OF ANY "CONFLICT" BETWEEN THE CIRCUITS WILL BE NARROWLY CONFINED.

Supreme Court Rule 10 provides that a petition for a writ of certiorari will be granted only for "compelling reasons." One factor is whether a "United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter...." *See* Supreme Court Rule 10(a).

Petitioner appeals from a ruling of the United States Court of Appeals for the Federal Circuit (the

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[1] In any event, jurisdiction is determined at time the lawsuit is filed. *GAF Building Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 483 (Fed. Cir. 1996) ("[L]ater events may not create jurisdiction where none existed at the time of filing....") (citation omitted); see also *Grupo Dataflux v. Atlas Global Group, LP*, 541 U.S. 567, 571 (2004).

"Federal Circuit"). The Federal Circuit derives its jurisdiction from 28 U.S.C. § 1295, which materially limits the scope its appellate jurisdiction. The exclusive jurisdiction of the Federal Circuit is based on subject matter, rather than geographic location, and confined to, *among other things*, final decisions of United States district courts on patents, copyright, and trademark matters, and of Article I tribunals. *See* 28 U.S.C. § 1295(a); 28 U.S.C. § 1338.

Therefore, any impact of the claimed conflict between the Federal Circuit's ruling in the proceeding below, and the prior rulings of the other circuits which relied on *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343 (1988), is likely to be narrowly confined, and the Petition should be denied for that reason.

B. THE PETITION SHOULD ALSO BE DENIED BECAUSE THE "CONFLICT" MAY BE RESOLVED BY THE COURTS OF APPEALS IN LIGHT OF *POWEREX CORP. V. RELIANT ENERGY SERVS., INC.*

In reaching its decision in the proceeding below, the Federal Circuit referred to the contrary rulings from the other circuits which expressly relied on *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 355 n. 11 (1988).

However, in undertaking the analysis of the interplay between 28 U.S.C. §§ 1447(c)-(d), on the one hand, and 28 U.S.C. 1367(c), on the other hand, the Federal Circuit was the only court that had the benefit of this Court's opinion in *Powerex Corp. v.*

Reliant Energy Servs., Inc., 127 S. Ct. 2411, 2418-19 (2007), and the proper scope of the Footnote 11 in *Cohill*.

Respondents respectfully submit that the claimed "conflict" may be resolved by the circuit courts of appeals in light of *Powerex* (including the Ninth Circuit Court of Appeals and other circuits that have not yet ruled on this issue, or have done so without closer scrutiny), and that the Petition should be denied for that reason.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

September 8, 2008

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REPLY BRIEF

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No. 07-1437

In the Supreme Court of the United States

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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PETITIONER'S REPLY BRIEF

The Federal Circuit's decision directly conflicts with nine other federal courts of appeals that have agreed that district court orders remanding removed cases to state court are not barred from appellate review by 28 U.S.C. § 1447(d) where the district court's remand decision is based on its discretionary decision to decline supplemental jurisdiction under 28 U.S.C. § 1367(c). The Federal Circuit's decision also conflicts with those from the Third and Eleventh Circuits holding that 1988 and 1996 amendments to 28 U.S.C. § 1447(c) had no effect on the scope of the appellate review bar in § 1447(d) set forth in *Thermatron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976). On the basis of those two direct conflicts alone, the petition for writ of certiorari should be granted.

Respondents concede that the Federal Circuit has created a direct conflict with the nine other circuits and can offer only dubious reasons why this Court should nevertheless ignore it. First, respondents suggest that the conflict is "narrow" because it was caused by the Federal Circuit, but never explain why such circuit conflicts can be disregarded or why Federal Circuit cases are not entitled to a correct interpretation of Title 28. Second, respondents inconsistently suggest that the other nine circuits "may" resolve the conflict on their own by adopting the Federal Circuit's contrary reasoning, but overlook that the Ninth Circuit has already refused to do so. Otherwise, respondents are conspicuously silent with respect to defending the fundamental but flawed premises for the Federal Circuit's incorrect decision.

As CTI's petition explained, every other circuit has discerned and adhered to the analytical underpinnings of this Court's decisions in *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343 (1988), and *Quackenbush v. Allstate Ins. Co.*, 517

U.S. 706 (1996), in concluding that a remand pursuant to § 1367(c) is a discretionary decision declining existing jurisdiction rather than a holding that the federal court lacked the power to decide the remanded claims. Pet. 14-18. Respondents do not dispute that there is a clear difference between a court's jurisdictional power to decide a case and its discretion to decline to exercise any jurisdiction that already exists, and thus do not try to show how a discretionary remand under § 1367(c) is properly characterized as being colorably based on a "lack of subject-matter jurisdiction" for purposes of *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007).

Moreover, respondents offer no justification or explanation for the Federal Circuit's unprecedented and self-devised holding that there must be an "independent" jurisdictional basis for maintaining the state law claims before a district court's discretionary decision to remand under § 1367(c) falls outside § 1447(c) and thus outside the bar to appellate review of § 1447(d). See Pet. 22-28. Simply put, there is nothing in this Court's requirement in *Powerex* that the remand be only colorably based on a "lack of subject-matter jurisdiction" that mandates the jurisdiction either be "original" or stem from an "independent" basis such as federal question or diversity.

Unable or unwilling to defend the Federal Circuit's holding, respondents offer three generalized arguments why the petition should be denied. As shown below, none of those arguments provides a legitimate ground for this Court to decline to resolve the open issues identified in *Powerex* and squarely presented by CTI's petition.

I. RESPONDENTS' MISCHARACTERIZATION OF THEIR COMPLAINT AS INVOLVING ONLY STATE LAW ISSUES IS IRRELEVANT

Respondents first try to recast the central issue of their complaint as being solely a state law dispute over "ownership" of an invention. Opp. 2-3 & n.1. However, the parties' dispute over whether respondents' complaint contains exclusively federal claims implicates the merits of CTI's appeal, not whether the Federal Circuit had jurisdiction to consider it. Moreover, the question presented concerns the Federal Circuit's appellate jurisdiction, which clearly must be determined as of the remand order, not by the complaint on the date of removal. Thus, respondents' assertions based on when their "inventorship" claim was allegedly first advanced are irrelevant.

More importantly, respondents ignore that both their original and amended complaints included a federal RICO cause of action under 18 U.S.C. §§ 1961-68. See App. 112a-138a. While the district court dismissed respondents' RICO claim for failure to state a claim in conjunction with the court's remand order (App. 30a-33a), even the Federal Circuit correctly recognized that the federal RICO claim provided sufficient basis by itself for exercising supplemental jurisdiction under § 1367(c) over any related state law claims. See Pet. 26 n.2 (citing App. 13a n.2). Thus, for purposes of this petition, it does not matter whether respondents' "inventorship" claim was first advanced before or after the removal from state court.

It is similarly irrelevant to the petition whether respondents' "inventorship" claim (or the separate "ownership" claim) in fact depends upon a substantial question of federal patent law. See *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). The

district court's legal error in failing to recognize that at least some of the respondents' non-RICO causes of action arose exclusively under federal law and thus could not be remanded to a state court constituted the primary issue raised by Petitioner's appeal. Once again, however, that dispute implicates the merits of Petitioner's appeal (which were never reached), not whether the Federal Circuit had *appellate* jurisdiction to reach and resolve that appeal.

Nevertheless, respondents' attempt to devise a basis by which this Court could disregard the "inventorship" claim reflects an implicit recognition that such a claim in the context of this case is one that necessarily does turn on a substantial question of federal patent law. For that additional reason, this case provides a most appropriate vehicle for resolving the question presented because the abuse of discretion resulting from remanding an exclusively federal claim to a state court should be readily corrected on appeal, provided this Court confirms that appellate review is indeed available. See Pet. 28-30.

II. RESPONDENTS CONCEDE THE DIRECT CONFLICT BETWEEN THE FEDERAL CIRCUIT'S DECISION AND THOSE OF NINE OTHER CIRCUITS

Quoting S. Ct. R. 10, respondents agree that an important factor when granting a writ of certiorari is whether a "United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important issue." Opp. 3. Respondents cannot and do not dispute that exactly such a conflict exists here. See Pet. 8-9 & 17.

Instead, respondents suggest without explanation that the impact of the direct conflict "likely" will be "narrowly"

confined because the Federal Circuit's jurisdiction is limited by subject matter rather than geographic location. Opp. 3-4. Petitioner is unaware of any rule or rationale by which a circuit conflict can be ignored because only one circuit is in disagreement with every other one to have decided the same issue. Petitioner is similarly unaware of any rule or rationale under which only the cases within the Federal Circuit's jurisdiction are not entitled to the proper interpretation and application of Title 28, which seemingly should be consistently interpreted and applied throughout all of the federal appellate courts.

If anything, the correct interpretation of 28 U.S.C. § 1447(d) may even be more important in Federal Circuit appeals where, as here, a cause of action presenting an exclusively federal question under the patent laws has been improperly remanded to a state court without any appellate review. See Pet. 28-30. Moreover, given that the remand decision at issue was made by a district court in California, it is incongruous for that court's remand decisions based on declining supplemental jurisdiction under § 1367(c) to always be reviewable by the Ninth Circuit, but never by the Federal Circuit. See *infra*. In short, where a conflict is admittedly created by a single circuit expressly disagreeing with nine other sister courts on what this Court has described as an unaddressed question, this Court should review and resolve the clear conflict, no matter which circuit court has created the conflict.

III. THE NINTH CIRCUIT'S POST-REMAND DECISION IN *POWEREX* DISPROVES RESPONDENTS' SUGGESTION THAT THE CONFLICT "MAY BE" RESOLVED BY THE COURTS OF APPEALS

This Court's recent statement in *Powerex*, 127 S. Ct. at 2416, that "it is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" only highlights the necessity of having this Court decide the question presented by this petition. There is no basis for respondents' suggestion (Opp. 4-5) that the circuit conflict "may be" resolved by the various circuits once they have the benefit of this Court's decision in *Powerex*. By its own terms, this Court's decision in *Powerex* merely identified the question as unanswered, but did not analyze, much less decide, it.

Respondents made no attempt to rebut CTI's showing based on the statutory language, the legislative history, and the detailed analyses by two other circuit courts in *Snapper, Inc. v. Redan*, 171 F.3d 1249 (11th Cir. 1999), and *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151 (3d Cir. 1998), establishing why the 1988 and 1996 amendments to § 1447(c) had no effect on the scope of remand orders for which § 1447(d) bars appellate review. See Pet. 18-22. Nevertheless, because that issue was later characterized in *Powerex* as never having been addressed by this Court, this petition presents the best opportunity to resolve the circuit conflicts created by the Federal Circuit.

Respondents also argue that only the Federal Circuit "had the benefit of this Court's opinion in [*Powerex*]" and its views as to "the proper scope of the Footnote 11 in *Cohill*" and further assert that "the Ninth Circuit Court of Appeals

and other circuits ... have not yet ruled on this issue." Opp. 4-5. In doing so, respondents necessarily suggest that every one of the nine circuits that has previously reached the opposite conclusion from the Federal Circuit will be persuaded to change their own views as to this Court's teachings in *Cohill* and *Quackenbush* and to adopt the Federal Circuit's contrary, post-*Powerex* conclusion.

Respondents' speculation has already been proven to be false. Since the Federal Circuit's decision, the Ninth Circuit has indeed already addressed the issue directly and declined an invitation to deviate from its own "clear" precedent to follow the Federal Circuit's contrary reasoning. See *California Dept. of Water Resources v. Powerex, Inc.*, 533 F.3d 1087, 1091-92 (9th Cir. July 22, 2008). In other words, in deciding the same *Powerex* case on remand from this Court, the Ninth Circuit expressly decided to adhere to its existing precedent and to remain in direct conflict with the Federal Circuit. *Id.*

If this Court's decision in *Powerex* had truly authorized the nine circuit courts that had already decided this issue to disregard or overrule their existing precedent, the Ninth Circuit surely would have discerned that opportunity when addressing that very issue in the same case on remand. As the Ninth Circuit correctly recognized, however, the issue is merely "unanswered" by this Court. See 533 F.3d at 1092. Thus, until this Court in fact addresses and resolves that question, the clear conflict between the Federal Circuit and at least the Ninth Circuit will remain, and there will be no reason for any of the other eight circuits that have already decided the issue to change sides in that conflict, absent express direction from this Court.

CONCLUSION

For the reasons stated above and in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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PETITIONER'S BRIEF

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In the Supreme Court of the United States

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TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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BOTH 447 X 8Y

QUESTION PRESENTED

In *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), this Court held that district courts could remand removed claims upon deciding to decline supplemental jurisdiction under 28 U.S.C. § 1367(c). Last Term, in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411, 2416 (2007), the Court stated that "it is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" and noted that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)."

Construing *Powerex* as leaving the question open, the Federal Circuit held that a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction, thereby disagreeing with at least nine other federal courts of appeals that construe *Cohill* as distinguishing between remands for lack of subject matter jurisdiction and remands based on declining to exercise jurisdiction that already exists. Thus, the question presented is the one posed but left unanswered in *Powerex*:

1. Whether a district court's order remanding a case to state court following its discretionary decision to decline to exercise the supplemental jurisdiction accorded to federal courts under 28 U.S.C. § 1367(c) is properly held to be a remand for a "lack of subject matter jurisdiction" under 28 U.S.C. § 1447(c) so that such remand order is barred from any appellate review by 28 U.S.C. § 1447(d).

PARTIES TO THE PROCEEDING

Pursuant to Supreme Court Rule 14.1(b), petitioner states that all parties to the proceeding in the court of appeals appear in the caption of the case on the cover page.

In addition to the parties listed in the caption, the following parties were defendants in the district court but did not participate in the underlying appeal to the Federal Circuit and thus are believed to have no interest at the present time in the outcome of this petition: Yung Shin Pharmaceuticals Industrial Co., Ltd. (doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co., Ltd.); Yung Zip Chemical Co., Ltd., Fang-Yu Lee, Che-Ming Teng; Fish and Richardson, P.C., and Y. Rocky Tsao.

RULE 29.6 STATEMENT

Consistent with its prior statement set forth in the petition, Petitioner CTI reaffirms that all of its parent companies and any publicly-held companies that own 10% or more of petitioner's stock are as follows: Yung Shin Pharmaceuticals Industrial Co., Ltd.; YSP USA Investment Co., Ltd.; YSP International, Co., Ltd.

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In the Supreme Court of the United States

No. 07-1437

CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO., LTD.,
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE PETITIONER

Petitioner Carlsbad Technology, Inc. ("Petitioner" or "CTI") respectfully requests that this Court reverse the decision of the United States Court of Appeals for the Federal Circuit dismissing CTI's appeal from the district court's decision remanding this removed case to state court for lack of appellate jurisdiction.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-20a) is reported at 508 F.3d 659 (Fed. Cir. 2007). The order of the court of appeals denying petitioner's combined petition for rehearing and for rehearing en

banc (App. 35a-37a) is unreported. The opinion of the district court (App. 21a-34a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on November 13, 2007. App. 3a. A timely combined petition for rehearing and for rehearing en banc was denied on February 8, 2008. App. 35a-37a. The Petition for Writ of Certiorari was filed on May 8, 2008 and was granted on October 14, 2008. The jurisdiction of this Court was invoked pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1367 provides in pertinent part:

(a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action in which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. . . .

* * *

(c) The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if—

(1) the claim raises a novel or complex issue of State law,

(2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction,

(3) the district court has dismissed all claims over which it has original jurisdiction, or

(4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

* * * *

28 U.S.C. § 1447(c) provides in pertinent part: "A motion to remand the case on the basis of any defect other than lack of subject matter jurisdiction must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded."

28 U.S.C. § 1447(d) provides: "An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise, except that an order remanding a case to the State court from which it was removed pursuant to section 1443 of this title shall be reviewable by appeal or otherwise."

STATEMENT OF THE CASE

A. The Underlying Complaint

This case arises out of a dispute over rights to an alleged invention for using a chemical compound

(YC-1) for anti-angiogenic, anti-cancer applications. App. 5a-7a. YC-1 itself is not protected by U.S. patent, and is available from various suppliers. App. 22a. Generally, respondents assert, based on rights assigned by Jong-Wan Park and Yang-Sook Chun, that they hold all rights with respect to the alleged invention and application of YC-1 as an anti-cancer, anti-angiogenesis agent, including several U.S. patent applications. App. 22a-25a. Respondents further allege that, in violation of those rights, CTI agreed to work with the other defendants to develop, commercialize, sell and market YC-1 and its analogues for similar purposes, including filing separate applications for U.S. patents naming different inventors. App. 5a-7a; App. 22a-24a.

In September 2005, respondents filed a complaint in California state court which, as later amended after removal, alleged twelve causes of action. App. 38a-170a. Two of the twelve causes of action sought declaratory judgments with respect to ownership and inventorship of the alleged invention. App. 25a; App.109a-111a. A third cause of action asserted RICO violations under 18 U.S.C. §§ 1961-68. App. 112a-138a. The other causes of action were related state law claims alleging slander of title, conversion, actual and constructive fraud, both intentional and negligent interference with contractual relations and prospective economic advantage, breach of implied contract, unfair competition and fraudulent business practices, unjust enrichment, and constructive trust. App. 25a; App. 139a-151a. Respondents sought, *inter alia*, a permanent injunction restraining defendants from representing themselves as inventors of the alleged

invention, and damages of not less than $284 million plus attorneys' fees. App. 25a; App. 151a-155a.

It is undisputed that all asserted claims "form part of the same case or controversy" for purposes of § 1367(a) and "derive from a common nucleus of operative fact." *See United Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966). Based in part on the federal RICO claim, the case was timely and properly removed to federal district court. App. 7a. For present purposes, therefore, there was no defect in the removal procedure.

B. The District Court Proceedings

After removal, CTI moved to dismiss the amended complaint on grounds that the district court lacked subject matter jurisdiction and because respondents failed to state a claim upon which relief may be granted.[1] App. 25a. In resolving that motion, the district court first declared that it would not exercise jurisdiction over any non-federal claims:

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[1] CTI's "lack of jurisdiction" position was based on respondents' claims being unripe for judicial resolution because respondents had not pled any existing property rights. Respondents' claims concerned undetermined rights in an alleged "invention" which were based entirely on pending patent applications in the U.S. Patent and Trademark Office ("PTO"). Until the PTO acted on those pending applications, and any resulting patents had issued, CTI asserted that no court had jurisdiction to address whether an "invention" existed or to resolve the alleged claims involving the patentability, ownership, and inventorship of any such invention. See, e.g., *GAF Bldg. Materials Corp. v. Elk Corp.*, 90 F.3d 479, 482 (Fed. Cir. 1996).

> As a preliminary matter, the Court declines to exercise supplemental jurisdiction over the state claims in the [the "first amended complaint"]. The [complaint] contains twelve causes of action, eleven of which are state claims. The state claims clearly predominate over the federal RICO claim. The preponderance of state law issues means that a state court is the proper venue to try the state law claims.

App. 28a. Hence, the district court viewed each asserted claim other than respondents' RICO claim as arising under state law.

The district court later explained why it had concluded that the two declaratory judgment claims were not within its federal jurisdiction. According to the court, the respondents were seeking declaratory judgment on the issue of inventorship under state common law. App. 29a-30a (citing *Bohlman v. American Paper*, 53 F. Supp. 794 (D.N.J. 1944)). On that basis alone, the court held that rights of inventorship and ownership of inventions are valid state law claims. App. 30a. Thus, the court concluded that it did not have jurisdiction over the first two causes of action and that those causes should be remanded along with the other state law claims.[2] App. 30a.

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[2] The district court did not separately discuss whether any of the state law claims necessarily depended upon a substantial question of federal law. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988).

Finally, the district court dismissed the federal RICO claim for failure to state a claim. App. 31a-33a. Having declined supplemental jurisdiction over the inventorship and ownership claims and over the other nine asserted state law claims, the district court then remanded all of the non-RICO claims to the state court. App. 34a.

C. CTI's Appeal To The Federal Circuit

CTI appealed, asserting that the remanded claims necessarily depended upon resolution of a substantial question of federal law. First, CTI argued that the asserted inventorship claim presented an issue of federal patent law and that the asserted state common law inventorship rights cited by the district court had been preempted. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). CTI also asserted that the federal inventorship issue permeated the other state law claims, such that each also necessarily depended upon a substantial question of federal law. *See Christianson*, 486 U.S. at 808-09. Indeed, under subsequent Federal Circuit precedent following and applying this Court's decision in *Christianson*, such state law causes of action are exclusively within the jurisdiction of the federal courts and could not have been remanded. See *Hunter Douglas, Inc. v. Harmonic Design*, 153 F.3d 1318, 1328-29 (Fed. Cir. 1998). Moreover, because the PTO had not yet resolved any inventorship or patentability issues concerning the alleged invention, CTI asserted that the non-RICO causes of action could not yet be adjudicated and thus could only have been dismissed rather than remanded.

In its jurisdictional statement, CTI's opening appeal brief cited *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 712-15 (1996), as establishing that the district court's remand order was appealable as a final decision. App. 18a. CTI also cited *Snodgrass v. Provident Life & Accident Ins. Co.*, 147 F.3d 1163, 1165-66 (9th Cir. 1998), to show that there was appellate jurisdiction to review a remand to state court that was based on declining jurisdiction under the Declaratory Judgment Act. App. 18a n.4. Respondents' brief agreed that the district court "had subject jurisdiction over pendent state claims under 28 U.S.C. § 1367." However, without discussing *Quackenbush* or *Snodgrass* (or citing any cases), respondents merely quoted § 1447(d) as stating that "[a]n order remanding a case to State court from which it was removed is not reviewable on appeal or otherwise."

During the June 2007 oral argument, the Federal Circuit panel did not question its own jurisdiction or whether § 1447(d) applied to this case. Instead, the court of appeals only asked whether its review should be *de novo* or for an abuse of discretion, an inquiry wholly inconsistent with any perceived absence of appellate jurisdiction. Two weeks after the argument, this Court issued its decision in *Powerex*, which the Federal Circuit presumably discovered and analyzed on its own without seeking supplemental briefing. On November 13, 2007, based on its understanding of this Court's statements in *Powerex*, the Federal Circuit issued its opinion holding that § 1447(d) barred any review of the district court's remand order in this case. App. 1a-20a.

D. The Federal Circuit's Opinion

The Federal Circuit recognized that this Court has "interpreted § 1447(d) to cover less than its words alone suggest." App. 11a (citing *Powerex*, 127 S. Ct. at 2415). Citing the series of this Court's decisions addressing § 1447(d) beginning with *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976), the Federal Circuit acknowledged that the jurisdictional bar in § 1447(d) against reviewing remand orders had to be read *in pari materia* with, and thus limited to, the grounds enumerated in § 1447(c). App. 11a-12a (citing, *inter alia*, *Thermtron*, 423 U.S. at 345-46; *Osborn v. Haley*, 549 U.S. 225 (2007)).

The Federal Circuit expressly recognized that "the district court's remand order is based on declining supplemental jurisdiction." App. 13a, 14a. Accepting (without reviewing) the district court's holding that the inventorship and the ownership of inventions were "valid state law claims," the Federal Circuit further recognized that the district court had federal question jurisdiction over the alleged RICO claim and that the RICO claim by itself was sufficient to confer supplemental jurisdiction on the district court under § 1367 even though the RICO claim had been dismissed for failure to state a claim. App. 13a-14a & n.2 (citing *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 514 (2006)).

Admittedly deciding "an issue of first impression" in that court, the Federal Circuit posed the issue before it as being "whether a remand based on declining supplemental jurisdiction under

§ 1367(c) is within the class of remands described in § 1447(c), and thus barred from appellate review by § 1447(d)." App. 14a-15a. Upon undertaking to answer that question, the court of appeals first decided that it was not bound by any controlling precedent in light of this Court's statements in *Powerex* that "it is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" and that "[w]e have not passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of the post-1988 versions of § 1447(c) and § 1447(d).[3] App. 15a-18a (citing 127 S. Ct. at 2419-19 & n.4).

The Federal Circuit conceded that "several other Courts of Appeals" had relied on *Cohill* in holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1995) (listing decisions from eight other federal circuit courts)). However, the "several other courts of appeals" described by the Federal Circuit as being a "trend" amounted to a full nine of the other twelve

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[3] When a federal district court elects to remand a removed case to state court after declining to exercise its supplemental jurisdiction under § 1367(c), such a remand has been referred to as a "*Cohill* remand" after this Court's decision in *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), which held that a district court has the discretion to remand in such circumstances rather than being required to dismiss. See *infra* section II.

circuits, and they had unanimously held that remands after a discretionary decision to decline jurisdiction did not implicate the bar on appellate review in § 1447(d).[4] App. 16a.

In *Cohill*, this Court held that district courts have discretion to remand a removed case involving pendant claims rather than being required to dismiss it upon deciding not to retain jurisdiction over the case. 484 U.S. at 357. In a footnote, this Court stated "[s]ection 1447(c) do[es] not apply to cases over which a federal court has pendent jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all." 484 U.S. at 355 n.11. As the Federal Circuit itself explained, the other circuit courts have cited that footnote as support when subsequently holding that remands based on declining supplemental

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[4] As of the Third Circuit's 1995 decision in *McCandless*, only the D.C., First, and Second Circuits had not yet addressed the issue. Since then, it does not appear that those three circuits have directly addressed § 1447(d) in the context of § 1367(c) remands. However, each has reviewed remand orders based on non-§ 1447(c) grounds. See *Barksdale v. Washington Metro. Area Transit Auth.*, 512 F.3d 712, 714-15 (D.C. Cir. 2008) (holding § 1447(d) did not bar review of discretionary decision to remand for convenience of counsel); *Connolly v. H.D. Goodall Hospital, Inc.*, 427 F.3d 127 (1st Cir. 2005) (jurisdiction over appeal of remand of supplemental state law claims); *Williams v. Beemiller, Inc.*, 527 F.3d 259, 263 (2d Cir. 2008) (reviewing remand ordered by a magistrate); *Carvel v. Thomas & Agnes Carvel Found.*, 188 F.3d 83, 85-86 (2d Cir. 1999) (reviewing absention-based remand). For present purposes, CTI will use "nine" as the number of circuits in direct conflict with the Federal Circuit.

jurisdiction are not within the class of remands described in § 1447(c) and are not subject to the jurisdiction bar of § 1447(d). App. 16a.

The Federal Circuit, however, cited this Court's statement in *Powerex* that "[i]t is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)." App. 17a (citing 127 S. Ct. at 2418-19). Because this Court in *Powerex* had also cited Justice Kennedy's concurrence in *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 130 (1995), and drew attention to the 1988 statutory amendments, the Federal Circuit viewed this Court as considering the question to still be open and as also undercutting the persuasive force of the decisions of the other courts of appeals. App. 17a-18a.

In a footnote, the Federal Circuit observed that, before 1988, § 1447(c) had contemplated remands only where the jurisdictional flaw existed prior to removal and thus, at least from a temporal perspective, § 1367(c) remands under the post-1988 version are now potentially within the class of remands described in § 1447(c). App. 17a n.3. Although that distinction is wholly inapplicable to this case, the Federal Circuit did not otherwise compare the pre-1988 and post-1988 versions of § 1447(c) and § 1447(d). Moreover, the court did not further analyze *Cohill* and did not undertake to address or analyze any decision from the other nine circuits that have interpreted *Cohill* to reach the opposite result on the identical issue.

The Federal Circuit then rejected CTI's reliance on this Court's decision in *Quackenbush* as supporting jurisdiction to review discretionary remands under § 1367(c). App. 18a-19a. In *Quackenbush*, this Court held that § 1447(d) did not bar appellate review of abstention-based remand orders. 517 U.S. at 711-12. While the Federal Circuit conceded that the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and that both are discretionary doctrines that allow a district court to decline jurisdiction, the Federal Circuit discerned "a fundamental difference" between remands based on abstention and those based on declining supplemental jurisdiction. App. 18a-19a.

According to the Federal Circuit, "a court 'abstains' from hearing claims over which it has an *independent* basis of subject matter jurisdiction, whether it be federal question jurisdiction or diversity jurisdiction." App. 19a (emphasis in original). Absent such "independent" jurisdiction, however, the Federal Circuit reasoned that a remand after a district court exercises its discretion to decline supplemental jurisdiction can, for purposes of *Powerex*, be characterized as being "colorably" based on a lack of subject matter jurisdiction and thus barred by § 1447(d). See App. 18a (citing 127 S. Ct. at 2418).

In the Federal Circuit's view, a court declining supplemental jurisdiction is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction.

App. 19a. From that premise, the court held that "because every § 1367(c) remand necessarily involves a predicate finding that the [state law] claims lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction. App. 20a. Thus, the Federal Circuit expressly disagreed with the nine other federal circuit courts that had already decided that very same issue, and became the first to hold that review of a remand order based on declining supplemental jurisdiction under § 1367(c) is barred by § 1447(d).

CTI timely filed a combined petition for rehearing and rehearing *en banc* in the Federal Circuit, which was denied without substantive comment. App. 36a-37a. CTI then filed a petition for writ of certiorari seeking review of the Federal Circuit's decision dismissing CTI's appeal for lack of appellate jurisdiction. The petition was granted by this Court on October 14, 2008.

SUMMARY OF ARGUMENT

The Federal Circuit erred in holding that a district court's discretionary decision to decline supplemental jurisdiction under 28 U.S.C. § 1367(c) after dismissing all federal claims constitutes a remand that can be colorably characterized as a remand for lack of subject matter jurisdiction for purposes of triggering the statutory bar on appellate review in 28 U.S.C. § 1447(d). This Court's statement in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007), that "[i]t is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of [28 U.S.C.] § 1447(c) and § 1447(d)" posed the question presented by this case, but neither suggested nor predetermined its outcome.

Until the Federal Circuit's decision in this case, nine other circuits that had uniformly held—both before and after 1988—that remands upon declining supplemental jurisdiction under § 1367(c) are not for lack of jurisdiction and thus are not barred from appellate review by § 1447(d). While this Court observed in *Powerex* that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d)," this Court's caution should not have authorized the Federal Circuit to disregard this Court's reasoning in *Cohill* or its post-1988 progeny.

This Court in *Powerex* recognized that it had held under the 1988 amendments to the removal

statutes meant that § 1447(d) precluded appellate review only of remands for lack of subject-matter jurisdiction and for "a defect in removal procedure." This Court also assumed that the 1996 amendments changing the latter phrase to "any defect" also had no effect on *Thermtron*. As to the reserved question of whether those amendments affected the reviewability of *Cohill* remands, the Federal Circuit never identified the relevant questions. In contrast, the First, Third and Eleventh Circuits have each concluded that nothing in the subsequent statutory amendments in 1988 or in 1996 had any effect on the scope of remands authorized by § 1447(c) or on the limits on § 1447(d) established by this Court in *Thermtron*. For purposes of the current version of § 1447(c), this Court should confirm its assumption in *Powerex* that a remand under § 1367(c) does not constitute a "defect" and expressly hold that it is not a remand for lack of subject-matter jurisdiction.

As confirmed by this Court's analysis when allowing appellate review of an abstention-based remand in *Quakenbush*, a remand pursuant to § 1367(c) is a discretionary decision declining to exercise expressly authorized jurisdiction rather than a holding that the federal district court lacks the jurisdictional power to decide the remanded claims. Nevertheless, without analyzing *Cohill* or the decisions of the other nine courts of appeals that interpreted *Cohill* to support the opposite result on the identical issue, the Federal Circuit tried to distinguish *Quakenbush* on grounds that that every § 1367(c) remand necessarily involves a predicate finding that the state law claims lack an "independent" basis of subject matter jurisdiction.

App. 20a. That conclusion is fundamentally flawed for at least two critical reasons.

First, the Federal Circuit erred in holding that there must be an "independent" basis of subject matter jurisdiction before a court's discretionary decision to decline such jurisdiction falls outside § 1447(c) and thus outside the jurisdictional bar of § 1447(d). Even as stated in *Powerex*, the governing test is whether the remand in question was colorably based on a "lack of subject-matter jurisdiction." Nowhere does (nor should) that test require that the jurisdiction be "original" or stem from an "independent" basis such as federal question or diversity jurisdiction. Indeed, the whole point of § 1367 is to confer subject matter jurisdiction on federal courts to decide state law claims that derive from the same case or controversy as any claim for which the federal court has original jurisdiction. *See City of Chicago v. Int'l College of Surgeons*, 522 U.S. 156, 167 (1997).

Second, the Federal Circuit erred in disregarding that the existence of subject matter jurisdiction, whether under §§ 1331, 1332, or 1367, is entirely distinct from any subsequent exercise of the discretionary authority allowing courts to relinquish or decline that jurisdiction. The former concerns a court's *power* to decide a case or controversy; the latter only implicates a court's discretion to decline any subject matter jurisdiction that it already has. Absent subject matter jurisdiction, there is no such discretion to be exercised. Thus, only a remand on the former ground is based on a lack of subject matter jurisdiction while a remand following the

latter exercise of discretion is not colorably based on a lack of subject matter jurisdiction at all.

Finally, the Federal Circuit's *sua sponte* decision to dismiss Petitioner's appeal for lack of appellate jurisdiction not only incorrectly construes the applicable statutes as well as this Court's § 1447(d) precedents, but it improperly authorizes remands of causes of action exclusively within federal jurisdiction to state courts and admittedly conflicts directly with every other federal appellate court to address this issue. As set forth herein, this Court should reverse the Federal Circuit's legal analysis and dismissal, and instruct that court to decide CTI's appeal on the merits.

ARGUMENT

I. THIS COURT IN *POWEREX* POSED BUT DID NOT ANSWER THE QUESTION PRESENTED HERE

Last term, this Court in *Powerex* summarized and refined its jurisprudence regarding the limits imposed by 28 U.S.C. § 1447(d) on appellate review of district court orders remanding removed cases to state court. In that decision, this Court identified additional issues concerning the meaning and scope of the current version of § 1447(c) and § 1447(d) that are now presented by this case. Initially, therefore, it is useful to trace this Court's key decisions construing § 1447(d) since *Thermtron* to provide the proper backdrop for this case.

This Court in *Powerex* summarized the post-*Thermtron* evolution of the language of § 1447(c) and § 1447(d) in a manner that illustrates both what is and is not at issue here. While it yields a lengthy quotation, petitioner sees no reason to rephrase this Court's explanation reproduced below:

> In *Thermtron*, we held that § 1447(d) should be read *in pari materia* with § 1447(c) so that only remands based on the grounds specified in the latter are shielded by the bar on review mandated by the former. At the time of *Thermtron*, § 1447(d) stated in relevant part:
>
> > If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case. [423 U.S.] at 342.
>
> Consequently, *Thermtron* limited § 1447(d)'s application to such remands. *Id.*, at 346. In 1988, Congress amended § 1447(c) in relevant part as follows: "A motion to remand the case on the basis of any defect in removal procedure must be made within 30 days after the filing of the notice of removal under [28 U.S.C. §] 1444(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded." § 1016(c)(1), 102 Stat. 4670.

> When that version of § 1447(c) was in effect, we thus interpreted § 1447(d) to preclude review only of remands for lack of subject-matter jurisdiction and for defects in removal procedure. See *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 711-12 (1996); *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 127, 128 (1995).
>
> Although § 1447(c) was amended yet again in 1996, 110 Stat. 3022, we will assume for purposes of this case [*i.e.*, Powerex] that the amendment was immaterial to *Thermtron*'s gloss on § 1447(d), so that the prohibition on appellate review remains limited to remands based on the grounds specified in *Quackenbush*. We agree with petitioner that the remand order was not based on a defect in removal procedure, so on the foregoing interpretation of *Thermtron* the remand is immunized from review only if it was based on a lack of subject-matter jurisdiction.

Powerex, 127 S. Ct. at 2415-16. From that perspective provided in this Court's most recent pronouncement on § 1447(d), certain parameters frame the question presented by this case.

First, this Court in *Powerex* recognized that it had applied the post-1988 versions of § 1447(c) and § 1447(d) in a manner that did not alter the holding or rationale of *Thermtron*. See *Quackenbush*, 517 U.S. at 711-12 ("[O]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)."); *Things Remembered*, 516 U.S. at 127-28

(same). Second, as in *Powerex*, the remand order in this case is indisputably not based on a defect in removal procedure. Under the assumption used in *Powerex* regarding the effect of the 1996 amendments to the removal statute, the remand here also could be immunized from appellate review only if the district court's decision to decline supplemental jurisdiction under § 1367(c) is properly characterized as resulting in a remand that is based on a lack of subject-matter jurisdiction.[5]

Turning to the specific holdings rendered in *Powerex*, this Court first rejected the petitioner's assertion that the remand at issue in that case was not based on "subject-matter jurisdiction" within the meaning of § 1447(c). 127 S. Ct. at 2416. In doing so, the Court rejected the petitioner's argument that the statute should be construed as applying only to a defect in subject-matter jurisdiction existing at the time of removal that rendered the removal itself jurisdictionally improper. *Id.* Instead, this Court concluded that "[n]othing in the text of § 1447(c) supports the proposition that a remand for lack of subject-matter jurisdiction is not covered so long as the case was properly removed in the first instance." 127 S. Ct. at 2416.

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[5] As explained *infra* in section III, this Court's assumption in *Powerex*, 127 S. Ct. at 2416, that the 1996 amendment to § 1447(c) was also immaterial to *Thermtron*'s gloss on § 1447(d) is in fact correct but will need to be expressly confirmed in this case, given that the Federal Circuit reached the opposite conclusion, seemingly as to both the post-1988 and post-1996 versions of § 1447(c). See App. 16a-17a & n.3.

Holding that argument both lacked explicit textual support and was disproved by the contemporaneous addition of § 1447(e) in 1988, this Court in *Powerex* held that "when a district court remands a properly removed case because it nonetheless lacks subject-matter jurisdiction, the remand is covered by § 1447(c) and thus shielded from review by § 1447(d). 127 S. Ct. at 2416-17. In this case, however, there is no dispute that the district court had subject-matter jurisdiction at the time of the removal due to respondents' RICO claim, and it is equally clear that a district court's discretionary decision to remand the state law claims always will occur after the case has been removed. Thus, the question presented here regarding whether a post-removal remand based on declining supplemental jurisdiction is based on a lack of subject-matter jurisdiction does not and cannot turn on the post-removal timing of the remand decision.

Upon concluding that the lack of subject matter jurisdiction giving rise to a remand could be created or arise post-removal, this Court then proceeded to decide whether the particular remand in *Powerex* has been one for lack of subject-matter jurisdiction. In that case, the Court viewed the district court as clearly purporting to remand on that ground, given that its orders explicitly stated that the court's lack of subject-matter jurisdiction required remand pursuant to § 1447(c). 127 S. Ct. at 2417. Determining that it was not necessary to decide whether a district court's "jurisdictional" label for its remand should always be enough by itself to bar any appellate review under § 1447(d), this Court again assumed that § 1447(d) would permit appellate

courts some leeway to look behind the district court's characterization. See *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 641 (2006). In *Powerex*, however, the Court did not have to look very far, holding that there was only one plausible explanation for the legal ground on which the district court had actually relied for its remand. 127 S. Ct. at 2417-18.

Specifically, this Court determined that the remand in *Powerex* could only have resulted due to "the [district] court's lack of *power* to adjudicate the claims against petitioner once [the court] concluded both that petitioner was not a foreign state capable of independently removing and that the claims against the other removing cross-defendants were barred by sovereign immunity." 127 S. Ct. at 2418 (emphasis in original). Once the Court discerned that the remand resulted from the district court's conclusion that it did not have the *power* to decide any of the asserted claims, § 1447(c) was deemed applicable. Under *Powerex*, therefore, if a district court determines that it lacks the *power* to decide a removed case, then its resulting remand can be plausibly viewed as resulting from a lack of subject-matter jurisdiction.

Reflecting its conclusion that the jurisdictional underpinnings of the remand need be no more than plausible, this Court in *Powerex* clarified that to the extent that review of a court's characterization of its remand as resting on subject-matter jurisdiction is permissible at all, any such review "should be limited to confirming that that characterization was colorable." 127 S. Ct. at 2418. For purposes of

deciding *Powerex*, this Court did not need to pass on whether § 1447(d) permits appellate review of a district-court remand order "that dresses in jurisdictional clothing a patently nonjurisdictional ground" because the district court had relied upon a ground that could colorably be characterized as subject-matter jurisdiction. 127 S. Ct. at 2418.

Finally, in the most important discussion in *Powerex* for present purposes, this Court rejected the petitioner's attempt to come within *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), by belatedly trying to characterize the district court's remand as having actually resulted from a discretionary decision to decline some form of supplemental jurisdiction. 127 S. Ct. at 2418. In rejecting that attempt in hindsight to devise grounds to avoid the bar of § 1447(d), this Court in *Powerex* stated the following:

> It is far from clear ... (1) that supplemental jurisdiction was even available in the circumstances of this case;[3] and (2) that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d).[4] Assuming these points, however, there is no reason to believe that the District Court's remand was actually based on this unexplained discretionary decision. The District Court itself *never mentioned* the possibility of supplemental jurisdiction. ... Moreover, it does not appear from the record that petitioner ever even argued to the District Court that

> supplemental jurisdiction was a basis for retaining the claims against it. There is, in short, no reason to believe that an unmentioned nonexercise of *Cohill* discretion was the basis for the remand.

127 S. Ct. at 2418-19 (emphasis in original; text of footnotes 3 and 4 omitted).

In contrast to *Powerex*, there is no dispute here that the only stated and plausible basis for the district court's remand of all eleven non-RICO claims was its discretionary decision under 28 U.S.C. § 1367(c) to decline to exercise its supplemental jurisdiction over all state law claims. As even the Federal Circuit characterized it, "the district court's remand order is based on declining supplemental jurisdiction." Pet. 13a. There is also no plausible basis for believing that the district court had invoked its discretion to decline supplemental jurisdiction under § 1367(c) as a guise to obscure some other reason for remanding, so this case also does not require this Court to decide whether or how far a reviewing court can look behind the district court's stated reason for its remand.

Because the remand here was indisputably based solely on the district court declining to exercise supplemental jurisdiction, footnote 4 of *Powerex* provided the premise for the Federal Circuit's reasoning now at issue. In that footnote, this Court stated the following:

> We have never passed on whether *Cohill* remands are subject-matter jurisdictional for

> purposes of post-1988 versions of § 1447(c) and § 1447(d). See *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 129-30 (Kennedy, J., concurring) (noting that the question is open); cf. *Cohill*, 484 U.S. at 355 n.11 (discussing the pre-1988 version of § 1447(c)).

127 S. Ct. at 2419 n.4. As noted above, the Federal Circuit interpreted that footnote as (1) undercutting the persuasive force of the decisions of the other courts of appeals relying on *Cohill* to hold that remand orders based on § 1367(c) are reviewable on appeal and (2) reopening the question of whether § 1367(c) remands are barred from review under § 1447(c) and § 1447(d). App. 17a-18a. However, the Federal Circuit's analysis went no further.

As explained below, the Federal Circuit never examined the reasons why this Court's reasoning in *Cohill* was and remains persuasive to the other courts of appeals that have held that § 1447(d) does not bar review of remand decisions under § 1367(c). Moreover, the Federal Circuit never identified, much less analyzed, the language in the post-1988 amendments to § 1447(c) had caused this Court to issue its caveat that it had not yet addressed the jurisdictional status of *Cohill* remands under the most recently amended versions of the removal statutes. Believing itself free to chart its own course because *Powerex* had left that question open, the Federal Circuit erred in failing to follow the clear signals within this Court's existing precedent that had properly guided the reasoning of every other courts of appeals to address the issue.

II. BECAUSE THE AUTHORITY FOR REMANDS UNDER § 1367(c) DOES NOT OVERLAP WITH THAT FOR REMANDS UNDER § 1447(c), REMANDS BASED ON DECLINING SUPPLEMENTAL JURISDICTION ARE NOT WITHIN THE APPELATE REVIEW BAR OF § 1447(d)

By the Federal Circuit's own count, at least nine other circuits have relied on this Court's decision in *Cohill* when holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1965)). While the Federal Circuit cited and relied on this Court's statements in *Powerex* that the question remains an open question in this Court under the post-1988 versions of § 1447(c) and § 1447(d), the Federal Circuit never discussed this Court's reasoning in *Cohill* that properly compelled the other circuits' directly contrary holdings under both the pre- and post-1988 versions of those statutes.

In *Cohill*, after all federal claims in a removed case had been dismissed, the district court remanded the pendent state-law claims to the state court. 484 U.S. at 345-47. The defendant argued that the district court had no authority to remand, only to dismiss. However, this Court disagreed, expressly holding that district courts have discretion to remand "a removed case involving pendent claims upon a proper determination that retaining jurisdiction over the case would be inappropriate." *Id.* at 357. Moreover, this Court further explained

that such discretion to remand "is precluded neither by the removal statute nor by our decision in *Thermtron*." *Id.*

In reaching that conclusion, this Court's analysis in *Cohill* began with its holding in *United Mine Workers v. Gibbs*, 383 U.S. 715 (1986), "that a federal court has jurisdiction over an entire action, including state law claims," whenever the federal and state claims derive from a common nucleus of operative fact. 484 U.S. at 349. Under *Gibbs*, federal courts have "a wide-ranging power" to decide state-law claims in cases that also present federal questions. 484 U.S. at 349. Notably, this Court in *Cohill* expressly pointed out how *Gibbs* had distinguished between the power of a federal court to hear state-law claims and the discretionary exercise of that power. 484 U.S. at 349-50. Because the state law claims were clearly within the federal court's jurisdiction, the issue in *Cohill* was posed as being whether the court could "relinquish jurisdiction" only by dismissing without prejudice or could remand to the state court as well. *Id.* at 351.

In its oft-cited footnote, this Court in *Cohill* responded to the dissent's assertion that removed cases could be remanded only for the reasons set forth in the removal statutes:

> The remand power that we recognize today derives from the doctrine of pendent jurisdiction and applies only to cases involving pendent claims. Sections 1441(c) and 1447(c), as the dissent recognizes, do not apply to cases over which a federal court has pendant

> jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all.

484 U.S. at 355 n.11. The Federal Circuit quoted that same footnote, and conceded that it formed the basis for the holdings by the other courts of appeals that a remand order based on declining supplemental jurisdiction is not within the class of remands in § 1447(c). App. 15a-16a. However, the Federal Circuit avoided any further substantive analysis upon declaring that footnote 4 in *Powerex* had undercut the persuasive force of those decisions and had reopened whether § 1367(c) remands are barred from appellate review under §§ 1447(c) and (d). App. 16a-18a.

Had the Federal Circuit proceeded to analyze this Court's rationale in *Cohill*, the court of appeals should have realized that this Court's cautionary footnote 4 in *Powerex* regarding the unresolved jurisdictional status of *Cohill* remands under the post-1988 statutes did not support a different result in this case. Indeed, this Court's distinction in footnote 4 between the pre- and post-1988 versions of the removal statute reflects its recognition that *Cohill* had at least settled that such "*Cohill* remands" under § 1367(c) were not the type of remands encompassed by the pre-1988 version of § 1447(c) and thus, under *Thermtron*, also were not the type of remands subject to the appellate review bar in § 1447(d).

Footnote 11 in *Cohill* expressly stated that the remands listed in § 1447(c) do not apply to cases over which a federal court has pendent jurisdiction. 484 U.S. at 355 n.11. Moreover, given that footnote 11 in *Cohill* also holds that the remands specified in § 1447(c) do not stem from the same authority as the remands authorized by § 1367(c), then the question reserved in *Powerex* over whether or how post-*Cohill* amendments to § 1447(c) may have altered the scope of remands encompassed by § 1447(c) could not have affected a district court's unrelated authority to remand upon declining supplemental jurisdiction. Because remands under § 1367(c) stem from a different authority than the remands for a defect in removal procedure or for lack of subject matter jurisdiction authorized by § 1447(c), the former are not barred from appellate review by § 1447(d), which only applies to the latter remands specified in § 1447(c).

Properly analyzed, this Court's caveat in footnote 4 of *Powerex* that it had not yet passed on whether *Cohill* remands are subject matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d) provides no support for the Federal Circuit's otherwise unsupported conclusion that every other court of appeals to address that issue before and after those amendments had reached the wrong result. The Federal Circuit's assumption that this Court's decision in *Powerex* had completely wiped the slate in *Cohill* clean should be rejected. No matter how the 1988 and 1996 amendments to the removal statutes may have altered the scope of the remands covered by § 1447(c), those amendments did not change the

source of a district court's separate and distinct remand authority in cases involving pendent jurisdiction.

III. THE 1988 AND 1996 AMENDMENTS TO § 1447(c) DID NOT CAUSE THE SCOPE OF REMAND ORDERS FOR WHICH APPELLATE REVIEW IS BARRED BY § 1447(d) TO INCLUDE *COHILL* REMANDS UNDER § 1367(c)

As noted, this Court in *Powerex* recognized that it had already held, after the post-1988 version of § 1447(c) and § 1447(d) was in effect, that § 1447(d) precluded appellate review only of remands for lack of subject-matter jurisdiction and for defects in removal procedure. See 127 S. Ct. at 2416 (citing *Quackenbush* and *Things Remembered*). At that same time, this Court in *Powerex* also assumed for purposes of that case that the 1996 amendments were similarly immaterial to *Thermtron*'s gloss on § 1447(d). 127 S. Ct. at 2416. Nevertheless, the Federal Circuit reached the opposite conclusion in both instances with respect to the amendments' effect on the reviewability under § 1447(d) of remands under § 1367(c) authorized by *Cohill*.

In its quest to answer the question posed in *Powerex* as to whether *Cohill* remands are subject-matter jurisdictional under the post-1988 versions of § 1447(c) and § 1447(d), the Federal Circuit never acknowledged this Court's holding that the 1988 amendment had no substantive effect on the interplay between § 1447(c) and § 1447(d) with respect to the limits on the appellate review bar in

§ 1447(d). As shown, if the 1988 statutory amendment had no substantive effect on this Court's analysis in *Thermtron*, then neither the 1988 or the 1996 amendments could possibly have undone this Court's holding in *Cohill* that the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all.

In a footnote, the Federal Circuit offered its only basis for reaching a different outcome under the post-1988 version of § 1447(c) than under the pre-1988 version. Pointing out that the pre-1988 version of the statute "only contemplated remands where the jurisdictional flaw existed prior to removal," the Federal Circuit suggested that *Cohill* remands arguably would not have been within the ambit of [the pre-1988 version of] § 1447(c)." App. 17a n.3. However, that circular analysis improperly assumes the erroneous conclusion that a district court's decision to decline to exercise supplemental jurisdiction under § 1367(c) constitutes a "jurisdictional flaw." App. 17a n.3.

Presumably, the Federal Circuit had recognized that this Court in *Powerex* rejected the assertion that the lack of jurisdiction giving rise to a remand must have existed at the time of the removal in order to come within § 1447(c). See 127 S. Ct. at 2416. Nevertheless, the Federal Circuit's assumption that the 1998 amendments to § 1447(c) operated to undercut the persuasive force of *Cohill* on temporal grounds, *i.e.*, that a jurisdictional flaw can now arise under § 1447(c) at any time before final judgment, is wholly insufficient by itself to

resolve whether post-removal remands under § 1367(c) are properly characterized as being for one of the reasons for remand specified in the current version of § 1447(c).

If a discretionary decision to decline jurisdiction does not represent a lack of jurisdiction, it is neither a "jurisdictional flaw" nor one of the reasons for remand now specified in § 1447(c). In other words, the Federal Circuit's only offered basis for attempting to discern a different result for *Cohill* remands under the post-1988 version of § 1447(c) than under the pre-1988 version of § 1447(c) is without any textual or logical support. Indeed, although apparently not uncovered by the Federal Circuit, the Eleventh Circuit in *Snapper, Inc. v. Redan*, 171 F.3d 1249 (11th Cir. 1999), had exhaustively traced the history and evolution of § 1447(c) and § 1447(d), and concluded that the 1988 and 1996 amendments to the statute had absolutely no effect on the scope of the appellate review bar in § 1447(d) first announced by this Court in *Thermtron*.

1. *Cohill* Remands Under § 1367(c) Do Not Fall Within § 1447(c) As Amended In 1988

As ultimately finalized, the 1948 version of § 1447(c) provided, in relevant part: "If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case." See *Snapper*, 171 F.3d at 1254. As chronicled by the Eleventh Circuit, judicial decisions under the 1948 versions of

§ 1447(c) and § 1447(d) uniformly held that a remand based on a forum selection clause, on abstention, or on declining supplemental jurisdiction did not implicate a removal defect, did not stem from an "improvident" removal, was not a remand based on a ground specified in § 1447(c), and thus was not a remand insulated from appellate review by § 1447(d). See 171 F.3d at 1255 & nn.8-10 (and cases cited).

Because the term "improvidently" in the 1948 version of § 1447(c) had caused some interpretation problems and uncertainty, Congress subsequently endorsed the narrower view of the term by replacing it in 1988 with an explicit reference to "any defect in removal procedure." As so amended in 1988, § 1447(c) read in relevant part:

> A motion to remand the case on the basis of any defect in removal procedure must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded.

See *Snapper*, 171 F.3d at 1256 (citing 28 U.S.C. § 1447(c) (1994)). As the House Judiciary Committee indicated at the time: "The amendment is written in terms of a defect in 'removal procedure' in order to avoid any implication that remand is unavailable after disposition of all federal questions leaves only State law claims that might be decided as a matter of ancillary or pendent jurisdiction or that might instead by remanded." H.R. Rep. No. 100-889 at 72 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6033.

The fact that Congress specifically clarified that the new "defect in removal procedure" language in the amended 1988 version of the statute was not intended to encompass remands decided as a matter of pendent jurisdiction should confirm that Congress also did not view such remands as arising from a lack of subject-matter jurisdiction, the other type of remand covered by the amended § 1447(c). Otherwise, such clarification would have been wholly unnecessary. Clearly, therefore, Congress was not acting in the 1988 amendments to undermine this Court's holding in *Cohill* or to modify § 1447(c) and § 1447(d) to encompass remands authorized under the doctrine of pendant jurisdiction.

Given that the 1988 amendment by Congress had intentionally adopted the narrower judicial interpretation of the 1948 version of the statute, subsequent courts remained "unanimous in holding that remands in the contexts of forum selection clauses, abstention, and supplemental jurisdiction were not remands based upon defects in removal procedure, and thus were not remands provided for in § 1447(c)." *Snapper*, 171 F.3d at 1256-57 & nn.14-17. Thus, while the Federal Circuit relied on the 1988 amendment to § 1447(c) as undoing the rationale for the unanimous conclusions of the other circuits that remands based on declining supplemental jurisdiction under § 1367(c) were not remands affected by § 1447(d), nothing in the amended text or the legislative history associated with that amendment provides any support for the Federal Circuit's holding.

2. *Cohill* Remands Under § 1367(c) Do Not Fall Within § 1447(c) As Amended In 1996

Although not mentioned and also not analyzed by the Federal Circuit, the first sentence of § 1447(c) was again amended in 1996, this time to eliminate the "any defect in removal procedure" language, leaving only the term "defect." See United States District Court, Removal Procedure, Pub. L. No. 104-219, 110 Stat. 3022 (1996). The resulting statutory language is what is now currently in the statute. See *supra*. The legislative history of the 1996 amendment is sparse. See *Snapper*, 171 F.3d at 1258 (citing H.R. Rep. No. 104-219, at 2 (1996), *reprinted in* 1996 U.S.C.C.A.N. 3417, 2418 (observing that the Bill was viewed as "technical and non-controversial")). For that reason, the Eleventh Circuit interpreted the 1996 version of the statute as perpetuating the well-established caselaw holding that remands in the context of forum selection clauses, abstention, and supplemental jurisdiction are not encompassed within § 1447(c), and thus not insulated from appellate review by § 1447(d). See 171 F.3d at 1259.

The Third Circuit had reached the same conclusion in *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151 (3d Cir. 1998). After discussing the amendments to § 1447(c) since this Court's 1976 decision in *Thermtron*, the Third Circuit concluded that the 1996 amendments did not represent "a wholesale rejection of *Thermtron* and a dramatic expansion of § 1447(d)" and that "Congress did not mean to upset the *Thermtron* limits on

§ 1447(d), and that they remain in effect unchanged by the intervening textual modifications to § 1447(c)." See 142 F.3d at 156 n.8. Citing that analysis by the Third Circuit, the Eleventh Circuit in *Snapper* independently concluded "that the amendment has no effect on the scope of remands authorized by § 1447(c), and therefore no effect on the scope of remand orders with respect to which § 1447(d) bars appellate review. See 171 F.3d at 1259-60.

The First Circuit in *Autoridad de Energia Electrica de Puerto Rico v. Ericsson, Inc.*, 201 F.3d 15, 16-17 (1st Cir. 2000), later agreed with the Eleventh Circuit in *Snapper* (and implicitly with the Third Circuit in *Hudson*) in holding that the 1996 amendments to § 1447(c) did not alter this Court's prior analysis in *Thermtron*. Unlike the Federal Circuit's unsupported assumption that a decision to remand under § 1367(c) constituted a "jurisdictional flaw" (App. 17a n.3), the First Circuit recognized that the amended 1996 version of § 1447(c) now provided that a motion to remand "on the basis of any *defect* other than lack of subject matter jurisdiction must be made within 30 days after the filing of the notice of removal." (Emphasis added.)

In the *Autoridad* case, the First Circuit therefore addressed whether the term "defect" in the new statutory language should be construed to encompass a remand based on a forum selection clause in a contract. See 201 F.3d at 17 (citing, *inter alia*, Thomas R. Hrdlick, *Appellate Review of Remand Orders in Removed Cases: Are They Losing A Certain Appeal?*, 82 Marq. L. Rev. 535, 561-69

(1999)).[6] The First Circuit held that it could not, holding that the term "defect" was more reasonably construed to refer to a failure to satisfy the various requirements for a successful removal in § 1446(a) and (b). 201 F.3d at 17. In addition, the First Circuit concluded that Congress would not have used such oblique means if it had truly intended to

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[6] An alternate view of the post-1996 language of § 1447(c) described by Hrdlick, based on another article also cited in *Autoridad*, is that Congress' 1996 amendment to § 1447(c) inadvertently caused the provision to encompass the entire universe of remand orders, *i.e.*, jurisdictional and all the rest, so as to undermine *Thermtron*'s rationale. See 82 Marq. L. Rev. at 567 (citing David D. Siegel, *Commentary on 1996 Revision of Section 1447(c), 28 U.S.C.A. § 1447* (1998)). However, the premise posited therein that § 1447(c) has now divided the universe of remand orders into two types is incorrect. To the extent that the Federal Circuit seemingly accepted that view (App. 13a), the court of appeals was incorrect as well.

By its terms, the revised § 1447(c) creates at least three categories of remand motions: (1) for lack of subject matter jurisdiction, (2) for any other defect brought within 30 days of removal, and (3) for any other defect brought more than 30 days after removal. Because only the first two motions fall within the terms of § 1447(c), the third type of remand motion is not barred from appellate review under § 1447(d). Cf. *Things Remembered*, 516 U.S. at 497 n.3 (noting compliance with 30-day time limit for remand motion was required to bring case within the 1988 version of § 1447(c)); *Air-Shields, Inc. v. Fullam*, 891 F.2d 63, 65-66 (3d Cir. 1989) (applying same 30-day limit where judge's remand occurred *sua sponte* without a motion to remand). Moreover, even if a remand under § 1367(c) could be construed as a "defect" under the 1996 version of § 1447(c), respondents here never moved to remand and the district court's remand order was issued well more than 30 days after removal (see App. 7a-8a), so this remand still could not be subject to the bar of § 1447(d).

overrule *Thermtron* and its progeny, and thus joined the Eleventh Circuit in *Snapper* in holding that § 1447(d) is not a bar to a review of a remand order based on a forum-selection clause. *Id.*

The same reasoning applies to remands under § 1367(c), which are no more a "defect" under the current statute than they were "a defect in removal procedure" under the 1988 version. Similarly, remands under § 1367(c) are no more a "defect" under the current statute than are remands under forum-selection clauses or for abstention grounds as in *Quackenbush*. While the Federal Circuit never even identified the relevant issue, the Third Circuit in *Hudson* reached exactly that conclusion when addressing the reviewability of a remand under § 1367(c). As that court explained:

> Although the sharp distinction between remands authorized by § 1367(c) and remands authorized by § 1447(c) is often misunderstood, the reason behind their different treatment is clear. Review of § 1447(c) remands is barred to keep parties to state court actions from making dubious allegations of federal jurisdiction in order to forestall the prompt resolution of state cases. Thus, § 1447(c) remands are warranted only when a federal court has no rightful authority to adjudicate a state case that has been removed from state court. ...
>
> In contrast, § 1367(c) serves no such corrective purpose. Remands authorized by § 1367(c) may be entered only when federal

> subject matter jurisdiction has been affirmatively established, via 28 U.S.C. § 1367(a), and are entered independently of whether the case originated in state or federal court. See *International College of Surgeons*, [522 U.S. at 167]. Thus, a district court's decision to remand pursuant to § 1367(c) does not imply that the case was improperly filed in federal court. Rather, it reflects the court's judgment, reviewable on appeal for abuse of discretion ... that at the present stage of the litigation it would be best for supplemental jurisdiction to be declined so that state issues may be adjudicated by a state court. See [*Gibbs*, 383 U.S. at 726-27]. In such circumstances, there is no pressing need to block the mechanisms of review that are generally afforded civil litigants.
>
> Thus, the bar to review codified at § 1447(d) is entirely inapplicable when the basis of the remand was the district court's discretion pursuant to § 1367(c).

Hudson, 142 F.3d at 157-58. As further confirmed by the fact that Congress viewed the 1996 amendments as being "technical and non-controversial," this Court should adopt the Third Circuit's reasoning in *Hudson* and not construe a district court's discretionary decision to decline to exercise supplemental jurisdiction under § 1367(c) as constituting a "defect" as that term is used under the post-1996 version of § 1447(c).

Based on the above, the Federal Circuit's holding that the post-1988 versions of the removal statute both authorize and warrant a different outcome as to the reviewability of remands under § 1367(c) than under the pre-1988 version cannot be squared with the statutory language itself or with the detailed analyses of that issue by the Eleventh Circuit in *Snapper*, the Third Circuit in *Hudson*, and the First Circuit in *Autoridad*. Simply put, a remand under § 1367(c) is not a "defect" under the current version of § 1447(c). Finally, as held in *Hudson* and as established below, a remand under § 1367(c) should further be held to result from a district court's discretionary decision to decline jurisdiction that has already been affirmatively established, and thus cannot be colorably characterized as being due to a lack of subject-matter jurisdiction for purposes of § 1447(c) and *Powerex*.

IV. A DISTRICT COURT'S DISCRETIONARY DECISION TO DECLINE TO EXERCISE SUPPLEMENTAL JURISDICTION IS NOT COLORABLY BASED ON A LACK OF SUBJECT-MATTER JURISDICTION

As explained in *Cohill*, this Court in *Gibbs* recognized "a wide-ranging power in federal courts to decide state-law claims in cases that also present federal questions." 484 U.S. at 349 (citing *Gibbs*, 383 U.S. at 726). As this Court explained in *Powerex*, it was the district court's "lack of power to adjudicate the claims" in that case that caused its remand to be one for lack of subject-matter jurisdiction. 127 S. Ct. at 2418. In short, if a federal district court has the power to decide a case, then any subsequent remand

that results after the court exercises its discretion not to decide the case has nothing to do with there being a lack of subject-matter jurisdiction.[7]

In contrast, this Court most recently reiterated the distinction between a court's power to hear a case and its discretion not to exercise such power when it recognized in *Osborn* that "[e]ven if only state-law claims remained after resolution of the federal question, the District Court would have discretion, consistent with Article III, to retain jurisdiction." 127 S. Ct. at 896 (citing *Cohill*). Moreover, further reflecting the "power vs. discretion" distinction, this Court in *Quackenbush* properly discerned no need to elaborate on its holding that a district court's absention-based remand order "does not fall into either category of remand order described in § 1447(c), as it is not based on lack of subject matter jurisdiction or defects in removal procedure." 517 U.S. at 711-12.

The key distinction as consistently drawn within this Court's decisions that was either ignored or misapprehended by the Federal Circuit is that this Court (1) expressly distinguishes a court's power to hear claims from its separate discretion not to

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[7] As one set of commentators aptly summarized, "[t]he existence of judicial power is a yes or no question." Deborah J. Challener & John B. Howell, III, Remand and Appellate Review When A District Court Declines To Exercise Supplemental Jurisdiction under 28 U.S.C. § 1367(c), 81 Temple L. Rev. ___ (2008), SSRN: http://ssrn.com/abstract=1266879, at 44 (Sept. 11, 2008) (hereinafter "Challener"); see also *id.* at 46 ("judicial power either exists or it does not").

exercise such power, and (2) repeatedly recognizes that a district court has the discretionary option to relinquish or decline jurisdiction in appropriate circumstances. Clearly, if a federal court lacked subject matter jurisdiction, there would be no power to exercise and no jurisdiction to relinquish. On their face, therefore, this Court's decisions in *Cohill*, *Gibbs*, and *Quackenbush* should have revealed to the Federal Circuit that whatever a federal court does after obtaining subject matter jurisdiction, including declining to exercise it, does not stem from or result in a *lack* of such jurisdiction.

Not surprisingly, the Third Circuit's decision in *McCandless* and the decisions of all of the other courts of appeals cited therein expressly rely on that critical distinction. *See, e.g.*, *McCandless*, 50 F.3d at 224 ("The district court's decision was neither for a defect in the removal procedure nor for lack of district court jurisdiction, but rather was based on an exercise of the district court's discretion to decline to exercise supplemental jurisdiction."); *Jamison v. Wiley*, 14 F.3d 222, 233 (4th Cir. 1994) ("[T]he district court was remanding not because it believed it lacked jurisdiction over the removed action, but because it thought it had the discretion to decline to exercise that jurisdiction."); *In re Glass, Molders, Pottery, Plastics & Allied Workers Int'l Union*, 983 F.2d 725, 727 (6th Cir. 1993) ("Such remand was discretionary with the court; it did not stem from lack of subject matter jurisdiction over the remaining claims."); *In re Surinam Airlines Holding Co.*, 974 F.2d 1255, 1257 (11th Cir. 1992) ("A remand order pursuant to § 1367(c) is not premised on § 1447(c) because it is a discretionary decision declining the

exercise of *expressly acknowledged jurisdiction*."); see also Challener, at 29-33 & n.130 (and cases cited).

Had the Federal Circuit properly examined this Court's decisions in *Cohill* and *Quackenbush*, or any of the decisions of the other courts of appeals uniformly adhering to their reasoning, the Federal Circuit should have realized that the distinction between a court's power to hear a case and its discretion to decline to exercise such power is both clear and completely unaffected by any of the post-*Cohill* amendments to § 1447(c) and § 1447(d). Hence, the Federal Circuit's "post-*Powerex*" analysis should not have reached a different outcome than those previously reached by every other federal court of appeals to decide that same issue.

V. THERE IS NO BASIS FOR THE FEDERAL CIRCUIT'S DISTINCTION BETWEEN "INDEPENDENT" AND SUPPLEMENTAL JURISDICTION

The Federal Circuit did acknowledge this Court's decision in *Quackenbush*, 517 U.S. at 711-12, as holding that § 1447(d) does not bar appellate review of abstention-based remand orders. App. 18a. The Federal Circuit further conceded that "the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and both are discretionary doctrines that allow a district court to decline jurisdiction." App. 18a-19a. The critical point is the latter one—regardless of why or how a court exercises such discretion, both doctrines grant

a court the discretion to decline jurisdiction that it already has.

The Federal Circuit, however, declared that CTI's reliance on *Quackenbush* overlooked a "fundamental difference" in that "a remand premised on abstention cannot be colorably characterized as a remand based on lack of jurisdiction because in that case the claims at issue have an *independent* basis of subject matter jurisdiction." App. 19a (emphasis added). However, the Federal Circuit's self-devised reliance on the distinction between "independent" jurisdiction and "supplemental" jurisdiction is irrelevant for purposes of the question presented here. Whether independent or not, the jurisdiction granted under § 1367(a) gives a federal district court the complete power to decide any state law claims that arise from the same controversy as a federal claim in the same case. See *College of Surgeons*, 522 U.S. at 167. In that regard, the subject matter jurisdiction conferred under § 1367 is no different than that conferred by 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1332 (diversity) or 28 U.S.C. § 1338 (patents, plant variety protection, copyrights, and trademarks).

For that reason, the Federal Circuit erred in reasoning that "when a district court declines supplemental jurisdiction, it is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction." App. 19a. Properly understood, the court is not declining to "extend" jurisdiction, it is only declining to exercise or retain existing jurisdiction. By not exercising the subject matter jurisdiction that

Congress conferred under § 1367(a), the remanding court is exercising the separate discretion conferred by Congress under § 1367(c). Because abstaining from exercising jurisdiction and exercising discretion to decline jurisdiction both necessarily occur after jurisdiction has already been established to exist, this Court's clear rationale in *Quackenbush* had been properly viewed by every circuit court as controlling in this context as well—until the Federal Circuit's decision in this case.

The conclusion that § 1367(a) establishes subject matter jurisdiction while § 1367(c) merely provides discretion to decline such jurisdiction is further confirmed by the statutory language. The use of "shall" in § 1367(a) shows that its grant of jurisdiction is mandatory. By using "may" in § 1367(c), a court's separate ability to decline such jurisdiction is left to its discretion. To illustrate, before the 1990 version of § 1367 was enacted, the Third Circuit held, absent extraordinary circumstances, that district courts were powerless to hear claims lacking an "independent" jurisdictional basis. See *McCandless*, 50 F.3d at 224 n.6. After 1990, the Third Circuit recognized that a district court "retained supplemental jurisdiction [over pendant state law claims] until it declined to exercise that jurisdiction under § 1367(c)." See 50 F.3d at 224-25 n.6. For that additional reason, the Federal Circuit erred in according any relevance to whether there was an "independent" basis for federal jurisdiction apart from the supplemental jurisdiction conferred by the current version of § 1367.

The Federal Circuit instead drew support for its conclusion from its own decision in *Voda v. Cordis Corp.*, 476 F.3d 887, 892 (Fed. Cir. 2007), which it characterized as holding that the discretionary considerations under § 1367(c) are an express statutory exception to the authorization of jurisdiction granted by § 1367(a). App. 19a. However, the quoted passage is both dicta and incorrect. As shown elsewhere in the *Voda* opinion, its analytical framework recognizes the distinct inquiries into the existence of jurisdiction under § 1367(a) and into the discretion to decline such jurisdiction afforded under § 1367(c):

> A proper exercise of subject matter jurisdiction pursuant to § 1367 requires both the presence of jurisdiction under subsection (a) and an appropriate decision to exercise that jurisdiction under subsection (c). ... [W]e conclude that the district court erred under subsection (c).

476 F.3d at 891. While the Federal Circuit is correct that "[w]ithout the cloak of supplemental jurisdiction, state claims must be remanded" (App. 19a-20a), the remand in this case occurred not because the "cloak" of subject matter jurisdiction was lacking, but because the district court decided not to exercise the existing supplemental jurisdiction. In such circumstances, a court's decision not to exercise subject matter jurisdiction that has been affirmatively established and clearly exists is not colorably a remand for lack of jurisdiction for purposes of § 1447(c) and should not be barred from appellate review by § 1447(d).

Finally, the Federal Circuit dismissed CTI's reliance on the Ninth Circuit's decision in *Snodgrass* on grounds that it was not controlling and not persuasive "because we can find no rationale in the decision to evaluate." App. 18a n.4. Admittedly, CTI's arguments based on *Snodgrass* in the court of appeals were focused on showing that respondents' declaratory judgment claims of inventorship and ownership were exclusively within the jurisdiction of the federal courts and thus could not be remanded to a state court.[8] However, having undertaken to analyze its appellate jurisdiction on its own, the Federal Circuit erred in not discerning why the Ninth Circuit's jurisdictional rationale of *Snodgrass* should have been highly persuasive here.

Snodgrass involved a suit alleging state law claims, including a declaratory judgment for insurance coverage, which was properly removed for diversity. 147 F.3d at 1164. After the district court

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[8] As the Federal Circuit recognized, respondents' federal RICO claim provided sufficient basis for supplemental jurisdiction under § 1367(a) over any related state law claims. App 13a n.2. As a result, the dispute over whether the asserted declaratory judgment claims on inventorship and ownership present federal questions exclusively within federal court jurisdiction need not be resolved by this Court. For that reason as well, this case does not implicate whether the appellate court should or can look beyond the district court's "label" for its remand decision, e.g., *Kircher*, 547 U.S. at 641 n.9, because the district court understood that it had supplemental jurisdiction but remanded under § 1367(c) upon concluding that the "state claims clearly predominate." App. 28a. As the Federal Circuit acknowledged, "the district court's remand order is based on declining supplemental jurisdiction." App. 13a, 14a.

remanded, the insurance company appealed. *Id.* at 1165. Upon examining its own jurisdiction, the Ninth Circuit held that a remand order entered pursuant to the discretionary jurisdiction provision of the Declaratory Judgment Act was an "exceptional" remand that was entered pursuant to a doctrine or authority other than § 1447(c), which is limited to lack of subject matter jurisdiction or defects in removal procedure. *See* 147 F.3d at 1165.

In so holding, the Ninth Circuit in *Snodgrass* recognized that a court's decision to exercise declaratory judgment jurisdiction involves the same two sequential inquiries into jurisdiction and discretion that a court undertakes before invoking the abstention doctrine or before exercising supplemental jurisdiction under § 1367. As in *Quackenbush* and *Cohill*, the rationale of *Snodgrass* is that a remand order resulting from a decision to decline declaratory judgment jurisdiction is not a remand for lack of jurisdiction. *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942) (holding that while the district court had jurisdiction of a declaratory judgment action, it was under no compulsion to exercise it).

The same clear distinction between the existence of subject matter jurisdiction and the discretion to decline it was recently confirmed by this Court in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 125-35 (2007), where the Court found jurisdiction over a declaratory judgment action without reaching the court's "unique and substantial" discretion to decline jurisdiction. *See Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995)

(federal courts have "discretion in determining whether and when to entertain an action under the Declaratory Judgment Act, even when the suit otherwise satisfies subject matter jurisdictional prerequisites"). Post-*MedImmune*, even the Federal Circuit has distinguished between the existence of subject matter jurisdiction and the discretion to decline it in the context of patent declaratory judgment cases. See *Sony Electronics, Inc. v. Guardian Media Techs., Inc.*, 497 F.3d 1271, 1285-87 (Fed. Cir. 2007) (holding that the district court erred in dismissing three declaratory judgment complaints for lack of subject matter jurisdiction before addressing the district court's separate discretion to decline such jurisdiction).

Like the abstention-based remand order in *Quackenbush*, a district court's discretionary remand under § 1367(c) is not a remand for lack of subject matter jurisdiction and therefore is not subject to the bar of § 1447(d). When a district court exercises its discretion to decline jurisdiction under the abstention doctrine, under the supplemental jurisdiction statute, or under the Declaratory Judgment Act, the use of such discretion does not eliminate the subject matter jurisdiction that must exist before the court has any discretion to exercise. Because any resulting remand in those circumstances is not colorably based on a lack of jurisdiction under § 1447(c), the Federal Circuit's decision dismissing CTI's appeal is incorrect as a matter of law and should therefore be reversed.

VI. THE POLICY TO AVOID PROLONGED LITIGATION OVER JURISDICTION IS NOT SERVED WHEN, AS HERE, A DISTRICT COURT IMPROPERLY REMANDS EXCLUSIVELY FEDERAL CLAIMS TO STATE COURT

One oft-cited policy underlying § 1447(d) is that Congress disfavors interruptions to litigation of the merits that would be created by prolonged litigation over which of two otherwise legitimate courts should resolve the disputes between the parties. See *Kircher*, 547 U.S. at 640. However, if CTI's appeal is well-taken on the merits, there would not be two legitimate courts in which to resolve the claims at issue in this case because respondents' asserted "state" causes of actions would be within the exclusive jurisdiction of the federal courts. See *Christianson*, 486 U.S. at 808-09; *Hunter Douglas*, 153 F.3d at 1328-29.

Unlike in the usual removal situation where jurisdiction over the remanded claims is concurrent between the state and federal courts, CTI's appeal to the Federal Circuit is based on the district court's error in remanding claims to state court that should have been held to be within the exclusive jurisdiction of the federal courts (and which also should have been dismissed rather than remanded because they were not yet ripe for resolution by any court). As to the former, CTI's appeal explained that respondents' asserted inventorship and ownership claims were exclusively within federal court jurisdiction and that the remand of the nine other claims was also legally erroneous (and hence an abuse of discretion) because

each claim necessarily depends upon the resolution of a substantial question of federal patent law. See *Christianson*, 486 U.S. at 809 (federal jurisdiction extends to those cases in which patent law is a necessary element of one of the well-pleaded claims).

While this Court need not and should not decide the merits of CTI's appeal when resolving the question presented, it nevertheless should appreciate the abuse of discretion inherent in a district court's discretionary decision to decline supplemental jurisdiction and to remand a removed case when its existing jurisdiction over the remanded claims is actually exclusive to federal courts rather than concurrent with state courts. In most instances of concurrent jurisdiction between federal and state courts, the likelihood of a district court abusing its discretion in remanding state law claims under § 1367(c) will be quite low. However, where a district court erroneously remands claims that are exclusively within federal court jurisdiction to a state court, the resulting abuse of discretion is both clear and warrants appellate review at the first opportunity. Otherwise, such an improper remand may engender even more prolonged litigation over jurisdiction or could leave any subsequent actions, decisions, or judgments entered by the state court in the remanded case subject to collateral attack on grounds of lack of jurisdiction. See *Christianson*, 486 U.S. at 518.

As explained in *Kircher*, 547 U.S. at 646-47, a state court to which exclusively federal claims are remanded would not, if appellate review is barred by § 1447(d), be bound by the remanding federal court's

determination or assumption that the remanded claims are within the state court's jurisdiction. Nevertheless, the practical reality is that the state court in such circumstances will usually adhere to the federal court's remand decision, even in the absence of any formal preclusive effect. Cf. *Christianson*, 486 U.S. at 816-87. Indeed, the California state court in this case assumed jurisdiction over the remanded claims and initiated a case management schedule for future proceedings without reexamining its own jurisdiction.[9] All such proceedings in the state court would be imbued with a fatal flaw if the claims being resolved on remand are actually outside the state court's jurisdiction.

If the state court understood under *Kircher* that it was not bound by the federal court's remand decision and could independently decide that the remanded claims were within the exclusive jurisdiction of the federal courts, any dismissal by the state court could itself be appealed within the state court system. The same questions that were presented to the Federal Circuit in this case—*i.e.*, whether the asserted claims arose under the patent laws or necessarily depended upon the resolution of a

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[9] Following the remand from the district court, the California Superior Court initially granted a stay during the Federal Circuit appeal. The Superior Court subsequently lifted the stay to allow the parties to conduct jurisdictional discovery in both Taiwan and California for the purpose of resolving issues of personal jurisdiction over certain foreign defendants. In July 2008, in light of CTI's petition for certiorari, the Superior Court reinstated its stay until this Court finally resolves CTI's petition.

substantial question of patent law—would be the same questions that would have to be decided by the state trial and appellate courts. Thus, a remand by a federal district court without appellate review under such circumstances does not serve to avoid prolonged litigation over subject-matter jurisdiction and may actually serve to compound it.

Moreover, if the state courts were to hold that some or all of the asserted claims in question were exclusively within federal court jurisdiction, the claims would have to be refiled in federal court, presumably in the district court which had already remanded them in the first place. Because appellate review was available from the dismissal in state court, and to the extent that the federal court would be required under this Court's rationale in *Christianson* to accept the jurisdictional decision of the state court, one result would be that the state courts could end up being the final arbiter of the federal court's jurisdiction. Even if the federal court decided not to defer to the state court jurisdictional decision and then to reach the opposite conclusion, § 1447(d) would not bar another, direct appeal of any resulting dismissal within the federal system.

Where a decision declining supplemental jurisdiction involves an improper remand of exclusively federal claims to state court, the bar of § 1447(d) would ensure rather than avoid prolonged jurisdictional proceedings. Any concern that a decision in this case confirming that § 1447(d) does not bar appellate review of discretionary decisions declining to exercise supplemental jurisdiction would enable or encourage such appeals being taken for

improper purposes in cases truly involving claims subject to concurrent jurisdiction between the state and federal courts should be handled through the existing mechanisms for sanctioning improper appeals. See R. Wasserman, *Rethinking Review of Remands: Proposed Amendments to the Federal Removal Statute*, 43 Emory L. J. 83, 137 & nn.207-09 (1994).

Finally, it is noteworthy to recognize that the remand in this case occurred not because the federal court concluded that it lacked subject-matter jurisdiction, but merely because the federal court incorrectly decided or assumed that the subject-matter jurisdiction that it had over the remanded claims was not exclusive to the federal courts. The district court's holding that the inventorship and ownership declaratory judgment claims constituted valid state law claims (App. 29a-30a) cannot be construed to mean that they were outside the federal court's supplemental jurisdiction, it just meant that once those claims were so characterized as state law claims, the federal district court was not the exclusive forum in which those claims had to be tried. See 28 U.S.C. § 1338.

If a complaint in state court included an express patent infringement claim, and such case were removed to federal court, no federal district court would likely ever remand to state court because federal court jurisdiction over such infringement claims "shall be exclusive of the courts of the states." See 28 U.S.C. § 1338. While respondents' amended complaint did not allege an exclusively federal claim as clearly as an express

claim for patent infringement, CTI's appeal was based in part on the district court's abuse of discretion in declining to retain jurisdiction over what in fact were exclusively federal claims. Here, the district court never addressed or decided whether any of the eleven state law claims had been preempted by federal patent law or necessarily required resolution of a substantial question of federal patent law.

For present purposes, the district court's conclusion that respondents' non-RICO claims were valid state law claims merely signified that jurisdiction over those claims was not exclusive to the federal courts and that, because a state court also had jurisdiction to hear them, the federal court had discretion under § 1367(c) to decline its concurrent supplemental jurisdiction. Such a remand is not the result of a lack of subject-matter jurisdiction at all and is thus is outside what Congress provided in § 1447(c) and § 1447(d) and their predecessors. See *Thermtron*, 423 U.S. at 352 ("[w]e decline to construe § 1447(d) so woodenly as to reach that result"). By any stretch of the imagination, such a discretionary remand is not colorably for lack of subject-matter jurisdiction, but was rendered merely because the federal court believed that its existing subject-matter jurisdiction was not exclusive.

CONCLUSION

The Federal Circuit's decision dismissing CTI's appeal should be reversed and the case remanded for further appellate proceedings in that court.

Respectfully submitted.

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CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO. LTD.
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENTS

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PARTIES TO THE PROCEEDING

Respondents state, pursuant to Rule 24.1(b), that all parties in the court of appeals interested in the outcome of this proceeding are listed in the caption of the case on the cover page.

RULE 29.6 STATEMENT

Respondents refer to and adopt the Rule 29.6 statement submitted with Respondents' Brief in Opposition to Petition for Writ of Certiorari, filed September 8, 2008.

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SUMMARY OF ARGUMENT

I. *Cohill* [1] remands fall within the subject matter jurisdiction prong of §1447(c), and the ban on appellate review of §1447(d).

A district court's order remanding a removed case to state court, based on a lack of subject matter jurisdiction, is not subject to review by appeal or otherwise. 28 U.S.C. § 1447(d). In *Powerex*,[2] this Court held that an appellate court may review a remand order based on lack of subject matter jurisdiction only to the limited extent of determining whether the remand was jurisdiction-based, and whether the finding of lack of jurisdiction was "colorable." Earlier, in *Carnegie-Mellon v. Cohill*, this Court held that a removed case may be remanded, in the discretion of the district court, when all claims supporting original jurisdiction in the federal court have been eliminated, leaving only claims within the court's supplemental jurisdiction. Such a remand was recognized as an alternative to the district courts' inherent power to dismiss such cases without prejudice.

In its decision in *Powerex*, this Court recognized that the applicability of the review ban to such remand

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[1] *Carnegie-Mellon University et al. v. Cohill*, 484 U.S. 343 (1988).

[2] *Powerex, v. Reliant Energy Services, Inc., et al.*, 127 S. Ct. 2411 (2007).

orders is neither settled, nor clear.

A. Congress has evinced a strong policy against review of remand orders, and this Court has directed that the removal statute be strictly construed in favor of remand. Section 1447(d) is designed to prevent shuttling of cases between state and federal courts, and has as a central purpose avoidance of the delay that an added federal appeal would create. The review ban of § 1447(d) should be read broadly to accomplish the legislative purpose that has been expressed in the Judiciary Act consistently since 1887. This Court has read the review ban of § 1447(d) expansively; it has been held to apply to orders of remand in cases removed under any statute, and to apply to review by writ of mandamus as well as direct appeal.

B. Supplemental jurisdiction is unquestionably a type of subject matter jurisdiction. Its exercise is mandatory, unless an exception exists. The decision involves, first, a finding that all claims supporting original jurisdiction have been eliminated from the case. The second step, determining that it would be inappropriate to retain jurisdiction over the claim, results in an order of remand, and subject matter jurisdiction terminates.

C. Declining to exercise supplemental jurisdiction, and lack of subject matter jurisdiction, are equivalent.

1. A district court, in its discretion, may divest

itself of supplemental jurisdiction. When a case is remanded to the state court from which it was removed, the jurisdiction of the federal court ceases.

2. The language of § 1367 makes the decision to decline supplemental jurisdiction an exception to jurisdiction. A discretionary dismissal or remand is thus equivalent to a lack of subject matter jurisdiction under § 1447(c).

3. The necessity that a district court exercise discretion in declining supplemental jurisdiction does not counsel against insulating such decisions from review. There are several circumstances, including remand pursuant to § 1447(e), in which a district court may exercise discretion resulting in the destruction of subject matter jurisdiction and mandatory remand to state court.

Since *Cohill* was decided, appellate review of district court remand orders has resulted in relatively few reversals for abuse of discretion in cases in which all viable federal claims had been eliminated.

The potential for abuse of discretion poses little if any risk to federal concerns, because the discretion exercised in such cases is broad, and the decision to remand has been deemed presumptively correct. In addition, however, the discretion recognized in *Cohill* involved the choice between dismissal and remand.

4. The procedure for declining supplemental jurisdiction under § 1367(c) does not place the decision outside the scope of § 1447(c). A remand order of the kind recognized in *Cohill* is jurisdictional, being based

on the elimination of any such basis for original jurisdiction, combined with a determination by the district court that retaining jurisdiction over state law claims would be inappropriate.

The timing arguably implied by § 1447(c) ("if at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded"), and the fact that jurisdiction is divested upon entry of the remand order, has no bearing on the question whether a *Cohill* remand constitutes a remand for lack of subject matter jurisdiction.

Nothing in the words of the statute requires that the lack of jurisdiction be a consequence solely of adjudicative facts. The statute does not preclude finding a lack of jurisdiction premised on the actions of the parties, or the determinations by the court in its discretion. Broadly construed, the words "lack of subject matter jurisdiction" should encompass any means by which the district court may lawfully be divested of jurisdiction.

Further, there is no logical necessity that the existence of facts establishing a lack of jurisdiction pre-date the decision to remand. The necessary determination by the district court, and entry of the order of remand, coincide in a number of circumstances in which subject matter jurisdiction is unquestionably lacking, and which thus fall squarely within § 1447(c), and the review ban of § 1447(d). Where a district court has discretion in any aspect of a decision to remand based on subject matter jurisdiction, it may determine, reconsider, modify, or reverse its determination at any

time up to entry of the order of remand. Before the order is entered in such a case, therefore, it cannot be said that the nonexistence of jurisdiction precedes remand. This may occur in remands involving the application of § 1447(e), or where a district court declines to apply the artful pleading doctrine to a removed case, or where amendment of a complaint to transform a federal claim into a state law claim is permitted.

Similarly, a remand decision under the "defect" prong of § 1447(c) may also involve discretion.

In each of the foregoing circumstances, a district court is called upon to make a ruling, in its discretion, that would destroy subject matter jurisdiction, but that would not be deemed to precede, in logic or in fact, the order of remand.

Even where it can be said that a determination about jurisdiction precedes the decision to remand in logic and fact, it is generally recognized that the jurisdictional determination and the remand decision itself will not be disaggregated where there is no order separate from the unreviewable remand order. If such decisions are to be viewed in the aggregate, no significance should be assigned to the sequence by which the ultimate order of remand came about.

5. The source of the *Cohill* remand power, whether within or outside § 1447, is not determinative of the applicability of the review ban. Although the remand recognized in *Cohill* was said not to overlap with the remand power in § 1447(c), at the time *Cohill* was decided a § 1447(c) remand was available only for

defects in procedure or jurisdiction existing at the time of removal. Later amendments of § 1447 made possible a remand, including one under *Cohill*, based on developments occuring after removal.

Interpreting the expression "lack of subject matter jurisdiction" broadly, in accordance with the intent of § 1447, *Cohill* remands should be held to fall within the definition of "lack of subject matter jurisdiction" under § 1447(c), and therefore the review ban of § 1447(d).

Because a *Cohill* remand fits within the subject matter jurisdiction prong of §1447(d), as broadly construed in favor of remands, the judgment of the Court of Appeals for the Federal Circuit should be affirmed.

II. The Court may also determine that its reading of the review ban of §1447(d) in *Thermtron*[3] was unnecessarily restrictive, and that a more expansive reading would be consistent with the history of the review ban, and decisions of this Court applying it.

Section 1447(d) plainly and unconditionally forbids review of remand orders in cases removed from state courts, and does not require application of a mechanical rule of construction.

Thermtron involved a district court remand

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[3] *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336, 351 (1976).

whereby the court abdicated its mandatory original jurisdiction because of a heavy caseload. This Court, in identifying a basis for reviewing the remand order, applied the *in pari materia* canon of statutory construction to §1447(d)'s ban on review, holding that the review ban was limited to those remand orders entered pursuant to §1447(c). The Court based its interpretive method on *United States v. Rice*[4] and other pre-1948 decisions. But those decisions stand for an expansive reading of the review ban, including remands based on an exercise of discretion.

The holding and reasoning of *Thermtron* thus leave open the question whether appellate review, in light of the unconditional language of § 1447(d), need be preserved for any purpose other than correcting the actions of a district court that are beyond the scope of any remand power.

A. Historically, the prohibition on review of remand orders was plenary. The right of review of a remand order was established for the first time by the Act of 1875, and was applicable to all manner of removals and remands that were known at the time. When this right of review was repealed in 1887, the repeal was plenary. Prior to *Thermtron*, this Court held without exception that all means of review of all remand orders were barred.

B. Historically, § 1447 and its predecessors were not the source of remand power.

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[4] *United States v. Rice*, 327 U.S. 742, 752 (1946).

1. The narrow construction of the review ban was not necessary to the holding in *Thermtron*. *Thermtron* depended only on a holding that the district court had exceeded any authority whatsoever to abdicate original jurisdiction.

2. The remand power was not created by statute. Thus, the predicate for *Thermtron*'s narrowing of the review ban was at least questionable.

3. The right of review of orders of remand was first granted in 1875, and was a limited right. It ostensibly applied to all recognized forms of remand. That right was extinguished by an unconditional repeal in 1887. The Court may hold that this repeal eliminated any right to appellate review of remand orders in § 1447's predecessor statutes.

C. A broadened reading of the review ban would have no impact in this Court's decisions in cases such as *Quackenbush*[5] and *Osborn*.[6] There should be no concern for providing a federal forum for defenses of a party, such as CTI in the instant case, and ensuring the same with a right of appeal from a remand order. Defendants, like CTI in this case, should not achieve, with a tangential federal argument, that which cannot be accomplished where a true federal question is present.

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[5] *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 711-12 (1996)

[6] *Osborn v. Haley*, 549 U.S. 225, 243 (2007).

ARGUMENT

I. *Cohill* remands fall within the subject matter jurisdiction prong of §1447(c), and the ban on appellate review of §1447(d)

Section 1447(d) of Title 28 insulates a district court's order of remand from appellate review if based on a lack of subject matter jurisdiction. This Court has held that an appellate court may review a remand order based on lack of subject matter jurisdiction only to the limited extent of determining whether the remand was jurisdiction-based, and whether the finding of lack of jurisdiction was "colorable," *Powerex, v. Reliant Energy Services, Inc., et al.*, 127 S. Ct. 2411, 2418 (2007). Review of the merits of a remand order is foreclosed "whether or not that order might be deemed erroneous by an appellate court." *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336, 351 (1976). "Where the order is based on one of the enumerated grounds, review is unavailable no matter how plain the legal error in ordering the remand." *Briscoe v. Bell*, 432 U.S. 404, 414 (1977), citing *Gravitt v. Southwestern Bell Tel. Co.*, 430 U. S. 723, 724 (1977).

Carnegie-Mellon University et al. v. Cohill, 484 U.S. 343 (1988) ("*Cohill*") involved a case from which the sole federal law claim providing original jurisdiction was eliminated at an early stage, and recognized the discretion of a district court to remand a state law claim over which it had pendent jurisdiction (now "supplemental" jurisdiction) as an alternative to dismissal without prejudice.

A *Cohill* remand depends upon a "proper determination" by a district court that "retaining

jurisdiction over the case woul d be i nappropriate" *Cohill*, 484 U.S. at 357, and the exercise of discretion to remand such claims rather than dismiss them. The Court observed that, in such a circumstance, the district court "had a powerful reason to choose not to continue to exercise jurisdiction." *Cohill,* at 351.

In its opinion below, the Federal Circuit held that when a district court declines to exercise supplemental jurisdiction to hear claims "over which it has no independent basis of subject matter jurisdiction, *i.e.*, state claims[,] ... [it] strips the claims of the only basis on which they are within the jurisdiction of the court." The court concluded:

> In short, because every §1367(c) remand necessarily involves a predicate finding that the claims at issue lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction. Accordingly, a remand based on declining supplemental jurisdiction must be considered within the class of remands described in § 1447(c) and thus barred from appellate review by § 1447(d).

HIF Bio, Inc v. Yung Shin Pharms. Indus. Co., 508 F.3d 659 (Fed. Cir. 2007).

In its decision in *Powerex*, this Court recognized that the reviewability of such remand orders is neither settled, nor clear, observing "It is far from clear . . .

that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)," and reserving the question of reviewability of a *Cohill*[7] remand. *Powerex*, 127 S. Ct. at 2418-19.

The Court should now hold that an order remanding a case to state court under *Cohill* is unreviewable under 28 U.S.C. §1447(d), applying the "subject matter jurisdiction" prong of 28 U.S.C. §1447(c), and that the appeal below was correctly decided. The Court should affirm the decision of the Federal Circuit dismissing the appeal of Petitioner CTI.

A. Section 1447 Should be Construed in Favor of Remand

Congress has evinced a strong policy against review of remand orders. *See Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 134-135 (1995) (Ginsburg, J. concurring), citing *Sykes v. Texas Air Corp.*, 834 F.2d 488, 490 (5th Cir. 1987). The removal statute is strictly construed in favor of remand because of federalism concerns. *Shamrock Oil & Gas Corp. v. Sheets*, 313 U.S. 100, 107 (1941); *see Syngenta Crop Prot., Inc. v. Henson*, 537 U.S. 28, 31 (2002). The restriction on federal appellate review of remand orders is broad, *Things Remembered*, 516 U.S. at 127.

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[7] *Carnegie-Mellon University et al. v. Cohill*, 484 U.S. 343 (1988).

Its twofold purposes are to prevent the "shuttling" of cases between state and federal court, and avoid "prolonged litigation of questions of jurisdiction of the district court to which the cause is removed." *Osborn v. Haley,* 549 U.S. 225, 243 (2007), citing *Rice*, 327 U.S. at 751. "Lengthy appellate disputes about whether an arguable jurisdictional ground invoked by the district court was properly such would frustrate the purpose of §1447(d) quite as much as determining whether the factfinding underlying that invocation was correct." *Powerex*, 127 S. Ct. at 2417, citing *Kircher v. Putnam Funds Trust*, 547 U.S. at 648-49 (2006) (Scalia, J., concurring in part and concurring in judgment). The review ban of § 1447(d) should be read broadly to accomplish the legislative purpose that has existed since the Act of 1887.[8]

Section 1447(d) has broad application "'not only to remand orders made in suits removed under [the general removal statute], but to orders of remand made in cases removed under any other statutes, as well.'" *Things Remembered*, 516 U.S. at 128, citing *United States v. Rice*, 327 U.S. 742, 752 (1946); *see also, Powerex,* 127 S. Ct. at 2420. Congress is presumed to be aware of "the universality" of the review ban when it creates a new ground for removal. *Things Remembered*, 516 U.S. at 128, citing *Rice.*

This Court and the courts of appeals have taken an expansive reading of the review ban of §1447(d), reading the conjunction out of the standard "removed

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[8] Act, Mar. 3, 1887, ch. 373, § 2, 24 Stat. 553.

improvidently and without jurisdiction,"[9] that was in effect from 1948 to 1988, and thus expanding the classes of remand orders that would be subject to §1447(c), and insulated from review by §1447(d).[10]

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[9] 28 U.S.C.A. §1447, History: "Act Nov. 19, 1988 substituted subsec. (c) for one which read: "If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case, and may order the payment of just costs. A certified copy of the order of remand shall be mailed by its clerk to the clerk of the State court. The State court may thereupon proceed with such case."; and added subsec. (e)."

[10] *See Snapper, Inc. v. Redan,* 171 F.3d 1249, 1254 n.7 (11th Cir. 1999) (Although the statutory phrases "removed improvidently" and "without jurisdiction" were joined with the conjunction "and," courts and commentators consistently interpreted the provisions in the disjunctive, thus establishing two independent grounds for remand) citing *FDIC v. Alley*, 820 F.2d 1121, 1123 (10th Cir.1987); *Robertson v. Ball*, 534 F.2d 63, 65 n. 2 (5th Cir.1976); *Thermtron*, 423 U.S. at 344, 96 S. Ct. at 589. *See also, In re Merrimack Mut. Fire Ins. Co.*, 587 F.2d 642, 645 n.3 (5th Cir. 1978) ("Removal cannot have been improvident if all procedural requirements, *e.g.*, timely filing, have been satisfied") citing *In re Southwestern Bell*, 542 F.2d 297, 298 n.1 (5th Cir. 1976) (en banc), rev'd on other grounds *sub nom. Gravitt v. Southwestern Bell Tel. Co.*, 430 U.S. 723, 97 S. Ct. 1439, 52 L. Ed. 2d 1 (1977). "Other non-jurisdictional grounds for remand include failure of all defendants to join in the removal petition, *Cornwall v. Robinson* , 654 F.2d 686 (10th Cir. 1981), and presence of a defendant on a removal petition who is a citizen of the forum state, *Pullman Co. v. Jenkins*, 305 U.S. 534, 83 L. Ed. 334, 59 S. Ct. 347; *Midland Mfg. Co. v. Winner*, 532 F.2d 1342 (10th Cir.)." *Sheet Metal Workers International Asso. v. Seay*, 693 F.2d 1000, 1005 n.8 (10th Cir. 1982). "These clearly are but additional examples of the courts interpreting 'improvidently' to mean improperly in the sense of procedurally defective." *Id.*

B. Subject Matter Jurisdiction Includes Supplemental Jurisdiction

Jurisdiction over state law claims is analytically divided between claims that are separate and independent, *see* 28 U.S.C. §1441(c),[11] and claims within the courts' "pendent" (now "supplemental") jurisdiction. *United Mine Workers of America v. Gibbs*, 383 U.S. 715, 725 (1966), codified as 28 U.S.C. §1367 by the Judicial Improvements Act of 1990.

Supplemental jurisdiction is a type of subject matter jurisdiction. *City of Chicago v. International College of Surgeons*, 522 U.S. 156 (1997) (federal claims combined with state law claims made the action a civil action within the original jurisdiction of the district courts); *see Koffski v. North Barrington*, 988 F.2d 41, 44 n.6 (7th Cir. 1993) ("pendent jurisdiction is technically a type of subject matter jurisdiction"); *see, generally,* 14A Wright & Miller, §3738, at 390 ("After the removal of an action from state court, the federal district court acquires full and exclusive subject matter jurisdiction").[12] Supplemental jurisdiction is included

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[11] 28 U.S.C. §1441(c) provides: "Whenever a separate and independent claim or cause of action within the jurisdiction conferred by section 1331 of this title [28 USCS § 1331] is joined with one or more otherwise nonremovable claims or causes of action, the entire case may be removed and the district court may determine all issues therein, or, in its discretion, may remand all matters in which State law predominates."

[12] *See also, Brown v. Am. Honda*, 522 F.3d 6, 9 (1st Cir. 2008) ("asserting pendent personal and supplemental subject matter

within the definition of a "case" under Article III of the Constitution. 28 U.S.C. §1367. A removed case is necessarily one "of which the district courts have original jurisdiction." *City of Chicago v. International College of Surgeons*, 522 U.S. 156, 165 (1997).

That supplemental jurisdiction is a species of subject matter jurisdiction is further emphasized by the mandatory language of Section 1367. That section casts the exercise of supplemental jurisdiction in mandatory terms ("in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims"), requiring that district courts exercise supplemental jurisdiction in the absence of one of the statutory grounds for declining it.

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jurisdiction over state law claims"); *Wallace v. La. Citizens Prop. Ins. Corp.*, 444 F.3d 697, 699 (5th Cir. 2006) ("the District Court for the Eastern District may exercise supplemental subject matter jurisdiction"); *Midkiff v. Adams County Reg'l Water Dist.*, 409 F.3d 758, 762 (6th Cir. 2005) ("supplemental subject matter jurisdiction over Plaintiffs' pendent state-law claims pursuant to 28 U.S.C. § 1367"); *United States v. Botefuhr*, 309 F.3d 1263, 1272 (10th Cir. 2002) ("Though originally a court-created concept, Congress later endorsed and codified the concept of supplemental subject matter jurisdiction").

C. Declining to Exercise Supplemental Jurisdiction, and a Lack of Subject Matter Jurisdiction, are Equivalent

1. A District Court, in its Discretion, May Divest Itself of Supplemental Jurisdiction

A district court, in its discretion, may decline to exercise supplemental jurisdiction when one or more of the grounds in §1367(c) is present.[13] Of the four grounds for declining jurisdiction under §1367(c), subsection (3) parallels the facts of *Cohill*, authorizing a district court to decline jurisdiction where "the district court has dismissed all claims over which it has original jurisdiction." While the other three grounds enumerated in §1367(c) provide explicit guidance to the district court about the discretion it may exercise,[14] the exercise of discretion under Subsection (3) is unrestricted.[15] This provision, applicable to the present case, provides a bright-line rule for declining jurisdiction, leaving such decisions to the general discretion of the district court.

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[13] "A district court has undoubted discretion" to decline to hear a case consisting entirely of pendent claims. *Cohill*, 484 U.S. at 356.

[14] "(1) the claim raises a novel or complex issue of State law," "(2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction," or "(4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction."

[15] The four grounds for declining jurisdiction in §1367 are stated disjunctively, and are independent of one another.

When the basis for its original jurisdiction has been eliminated, the district court may then determine that retaining jurisdiction over the case would be inappropriate. *Cohill*, 484 U.S. at 358. The case may be remanded, in the district court's discretion, and federal jurisdiction ceases. *See Hunt v. Acromed Corp.*, 961 F.2d 1079, 1081 (3rd Cir. 1992).

2. The Exercise of Discretion to Decline Supplemental Jurisdiction Under § 1367(c) is an Exception to Subject Matter Jurisdiction

An analysis of the language of 28 U.S.C. § 1367 compels the conclusion that a district court's decision to decline jurisdiction under § 1367(c)(3) is the equivalent of finding a lack of subject matter jurisdiction for purposes of § 1447(c). Section 1367 establishes the supplemental jurisdiction of the district courts in cases where original jurisdiction exists, whether or not involving removal jurisdiction. District courts have supplemental jurisdiction over claims that are part of the same case or controversy within the meaning of Article III, unless original jurisdiction is based only on diversity (§ 1332), in which case supplemental jurisdiction does not extend to pendent parties who would destroy diversity. 28 U.S.C. §1367(b).

A court may decline to exercise supplemental jurisdiction for the reasons set forth in subsection (c) of §1367. Subsection (a), however, refers to subsection (c) as an *exception* to juri sdiction, provi ding th at the courts "shall have supplemental jurisdiction" "[e]xcept as provided in subsections (b) and (c)." The language

of the statute itself provides a compelling basis to conclude that the findings necessary for dismissal or remand under §1367(c) are tantamount to the elimination of subject matter jurisdiction.

The Federal Circuit based its holding in part on this analysis, relying on its earlier analysis in *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007) of the plain meaning of § 1367. "The text of § 1367(a) indicates § 1367(c) constitutes an express statutory exception to the authorization of jurisdiction granted by § 1367(a)."

3. The Necessary Exercise of Discretion in Declining Supplemental Jurisdiction Does Not Place the Decision Outside the Scope of § 1447(c)

The fact that the decision declining to exercise supplemental jurisdiction involves an exercise of discretion does not counsel against insulating such decisions from appellate review. When Congress added subsection (e) to § 1447, after *Cohill* was decided, it gave district courts discretion to permit the joinder of parties that would destroy diversity, and thus subject matter jurisdiction. Upon the exercise of this discretion, remand is mandated. A remand under subsection (e), based on a lack of subject matter jurisdiction, involves an exercise of discretion in the decision whether to permit the joinder of non-diverse parties. Congress, therefore, has conferred a remand power, in subsection (e), which necessarily involves the exercise of discretion, but which is nonetheless beyond

the scope of appellate review.[16]

Moreover, it is difficult to conceive of the circumstance in which the case for appellate review of a decision to decline supplemental jurisdiction would be more compelling than that for review of a plainly erroneous decision to exercise original jurisdiction under the Constitution and federal statutes.[17] The erroneous remand of a case in which the district court arguably had original jurisdiction necessarily involves a misapplication of federal law, abdication of the court's mandatory jurisdiction, and frustration of the parties' right to a federal forum. In contrast, in the 20 years since *Cohill* was decided, appellate review of remand orders, in cases in which all viable federal claims had been eliminated, has resulted in few reversals for abuse of discretion. Such cases have involved clerical errors and omissions from district

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[16] As the Court has held that §1447(d) and §1447(c) are to be construed *in pari materia*, it should be beyond question that this canon of construction is applicable to all of §1447. *See* citing *Erlenbaugh v. United States*, 409 U.S. 239, 243 (1972) ("under the *in pari materia* canon of statutory construction, statutes addressing the same subject matter generally should be read 'as if they were one law'"); *see also, United States v. Freeman*, 44 U.S. 556, 3 How. 556, 564 (1845).

[17] *Cf. Thermtron*, 423 U.S. at 356. Then-Justice Rehnquist, joined by Chief Justice Burger and Justice Stewart, wrote in dissent, "I fail to see how such an order of remand is any more unauthorized than one where the district court erroneously concludes that an action was removed 'improvidently and without jurisdiction.' Surely such an error equally contravenes congressional intent to extend a 'right' of removal to those within the statutes' terms."

court judgments,[18] retaining jurisdiction over one of two related state law claims,[19] and refusals to grant leave to amend.[20] The majority of cases in which abuse of discretion was found involved contravention of the express provisions of federal statutes,[21] or the remand of viable federal claims over which the exercise of jurisdiction was mandatory.[22] Remands in the latter

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[18] *See, e.g., Cunningham v. BHP Petroleum Gr. Brit. PLC*, 414 F.3d 1169 (10th Cir. 2005); *Elster v. Talladega County Bd. Of Educ.*, 997 F.2d 1394 (11th Cir. 1993).

[19] *See, e.g., D'Elia v. D'Elia*, 1991 U.S. App. LEXIS 13027 (9th Cir., November 7, 1990); *Eastus v. Blue Bell Comm.*, 97 F.3d 100 (5th Cir. 1996).

[20] *See, e.g., J.O. v. Alton Community Unit School Dist. 11*, 909 F.2d 267 (7th Cir. 1990).

[21] *See, e.g., Parker v. Scrap Metal Processors, Inc.*, 468 F.3d 733 (11th Cir. 2006) (abuse of discretion to remand to state court after trial, appeal, and new trial mandated); *Executive Software N. Am. v. United States Dist. Court*, 24 F.3d 1545 (9th Cir. 1994), *overruled, Cal. Dep't of Water Res. v. Powerex Corp.*, 533 F.3d 1087, 1095-1096 (9th Cir. 2008), remanded with instructions to dismiss, *Powerex Corp. v. Reliant Energy Services, Inc.*, 127 S. Ct. 2411 (2007) (remand reversed because district court "relied on a basis for remanding pendent claims not permitted under section 1367(c)," and reasons not apparent from district court's order); *Rothner v. Chicago*, 879 F.2d 1402 (7th Cir. 1989) (remand on the ground of waiver in contravention of §1446(b)).

[22] *See, e.g., Baker v. Kingsley*, 387 F.3d 649 (7th Cir. 2004) (remand an abuse of discretion where LMRA preemption brought case without original jurisdiction of the district court); *Burks v. A merada Hess Corp.* , 8 F.3d 30 1 (5th Cir. 1993) (remand an abuse of discretion where case included federal

two categories may be reviewed in that they do not involve a finding of lack of subject matter jurisdiction, as well as under the principle that district courts are without power to abdicate their mandatory jurisdiction.[23]

Further, in *Gibbs* this Court suggested that dismissal of such pendent claims is presumptively correct. *United Mine Workers v. Gibbs*, 383 U.S. 715, 726 (1966) ("Certainly, if the federal claims are dismissed before trial, even though not insubstantial in a jurisdictional sense, the state claims should be dismissed as well"). As the Court held in *Gibbs*, federal courts should decline the exercise of jurisdiction when considerations of judicial economy, convenience, fairness, and comity indicates that a case properly belongs in state court. *Id.* Section 1367(c)(3) has been described more recently as embodying a "wide discretion" to remand. *Cohill*, at 353.

There is, in short, no apparent purpose to be served by reading §§ 1447(c) and (d) so narrowly as to exclude, and subject to appellate review, the determination that the exercise of jurisdiction over a case comprising purely state law claims would be

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claims), *United Nat'l Ins. Co. v. R&D Latex Corp.*, 242 F.3d 1102 (9th Cir. 2001) (remand an abuse of discretion because "state law" claim sought declaratory relief, and was otherwise indistinguishable from federal claim).

[23] *See Thermtron*, 423 U.S. at 351 (district court remanded properly removed case on grounds it had "no authority to consider"); *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 716 (1996) ("federal courts have a strict duty to exercise the jurisdiction that is conferred upon them by Congress").

inappropriate.

4. The Procedure for Declining Supplemental Jurisdiction Under §1367(c) Does Not Place the Decision Outside the Scope of §1447(c)

When a district court orders a case remanded to a state court, its jurisdiction ceases.[24] When a remand order of the kind recognized in *Cohill* is entered, the jurisdiction is lacking for reasons no less jurisdictional than the absence of original jurisdiction: the elimination of any basis for original jurisdiction, combined with a determination by the district court that retaining jurisdiction over state law claims would be inappropriate. *Cohill,* 484 U.S. at 357. The decision to remand, and entry of the remand order, divest the court of jurisdiction.

The fact that § 1447(c) arguably implies a chronological sequence for the decision to remand based on lack of subject matter jurisdiction ("if at any time before final judgment it appears that the district court lacks subject matter juri sdiction, the case shall be remanded") has no bearing on the question before this Court, namely, whether a *Cohill* remand constitutes a remand for lack of subject matter jurisdiction within the meaning of § 1447(c).

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[24] The possibility that a district court might have the power to reconsider its remand order, as held in *In re Digicon Marine, Inc.*, 966 F.2d 158, 161 (5th Cir. Tex. 1992) and *In re Lowe*, 102 F.3d 731, 735 (4th Cir. 1996) does not aid the analysis, because those cases based their recognition of the reconsideration power on the assumption that such remand orders were subject to appellate review, the very question presently before this Court.

First, nothing in the words of the statute requires that the lack of jurisdiction follow solely from a finding of adjudicative facts.[25] The statute does not preclude finding a lack of jurisdiction based on positions taken by the parties in litigation (such as amendment of pleadings, joinder of parties, or judicial admissions), or a determination by the court in its discretion. Broadly construed, the words "lack of subject matter jurisdiction" should encompass any means by which the district court may lawfully be divested of jurisdiction. There is nothing in these words which requires a narrower reading.

Further, there is no logical necessity that the existence of facts establishing a lack of jurisdiction chronologically precede the decision to remand. The necessary determination by the district court, and entry of the order of remand, coincide in a number of circumstances in which subject matter jurisdiction is unquestionably lacking, and which thus fall squarely within § 1447(c), and the review ban of § 1447(d). Where a district court has discretion in any aspect of a decision to remand based on subject matter jurisdiction, how it will exercise its discretion may be determined, reconsidered, modified, or reversed at any time up to entry of the order of remand. Before the remand order

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[25] *See* Fed. R. Evid. 201 advisory committee's note, 28 U. S. C. App., pp. 683-684, cited in *Florida v. Riley*, 488 U.S. 445, 465 (1989) (Brennan dissenting). Adjudicative facts are those "which relate to the parties" . . . "who did what, where, when, how, and with what motive or intent." *Id.*

is entered in such a case, it cannot be said that the nonexistence of jurisdiction precedes remand, as the following three examples demonstrate.

First, a remand under § 1447(e), premised on the discretionary decision to permit joinder of non-diverse parties, may involve a decisional process in which the condition for remand – joinder under subsection (e) – and remand itself, coincide in a single order.[26] Second, a case filed in state court stating a single state law cause of action may be removed on the ground that it presents a federal question by application of the artful pleading doctrine. *See Rivet v. Regions Bank*, 522 U.S. 470, 475 (1998) ("If a court concludes that a plaintiff has 'artfully pleaded' claims in this fashion, it may uphold removal even though no federal question appears on the face of the plaintiff's complaint"). In such a case, the district court may determine, in its discretion, that the complaint does not implicate the artful pleading doctrine, and remand the case.[27]

Third, a district court, following removal, may permit amendment of a complaint stating a single

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[26] *See Powerex Corp. v. Reliant Energy Servs.*, 127 S. Ct. 2411, 2417 (2007) (implying that § 1447(c) and § 1447(e) should be interpreted *in pari materia*).

[27] *See, e.g., Bright v. Bechtel Petroleum, Inc.*, 780 F.2d 766, 769 n.3 (9th Cir. Cal. 1986), suggesting that the application of the artful pleading doctrine may involve an exercise of discretion; *see also, Greater Jacksonville Transp. Co. v. Jacksonville Port Auth.*, 12 F. Supp. 2d 1311, 1314-1315 (M.D. Fla. 1998) ("the twin doctrines of 'artful pleading' and 'complete preemption' indicate the continuing vitality of federal court discretion in looking at the true nature of the cases *sub judice*").

federal claim, in its discretion, transforming the federal claim into a state law claim, and, finding that jurisdiction is lacking, order the case remanded. *See, e.g., Husvar v. Rapoport*, 337 F.3d 603 (6th Cir. 2003) (amended complaint alleged state law claims and did not implicate ERISA, remand appropriate and denial of motion to remand held error); *Loftis v. UPS*, 342 F.3d 509, 517 (6th Cir. 2003) (observing that district court had remanded case after permitting plaintiff to amend his complaint to eliminate language that transformed state law claim into federal claim, and affirming remand on other grounds).[28]

In addition, a remand decision under the "defect" prong of § 1447(c) may also be discretionary, but nonetheless subject to the review ban of § 1447(d). While subsection (c) appears to provide that remand is mandatory in cases of lack of subject matter jurisdiction, it does not consistently speak in mandatory terms ("shall") in reference to remands for other types

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[28] *Cf. Brown v. Eastern States Corp.*, 181 F.2d 26, 29 (4th Cir. 1950) (holding, under former removal statute, that a case may not be remanded if it was properly removable at the time the petition for removal was filed).

of defect. The Eleventh Circuit,[29] and the Fifth,[30] have suggested that the procedural "defect" prong of §1447(c) is discretionary if a motion is filed within the 30 day time limit, while jurisdictional remands are mandatory; the Third Circuit has expressed the view that remand of either of the types set forth in §1447(c) is within the discretion of the district court, which, "whether erroneous or not, is not subject to appeal." *Cook v. Wikler*, 320 F.3d 431, 437 (3d Cir. Pa. 2003), citing *Quackenbush*, 517 U.S. at 711-12. The Sixth Circuit has taken the position that, on review, it was empowered to affirm a remand based on a procedural defect not raised in the district court.[31] In these cases,

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[29] "Defendants rightly do not argue that the exception alluded to in *Thermtron* applies here. '§1447(c) implicitly recognizes two bases upon which a district court may - ***and in one case must*** - order a remand: when there is (1) a lack of subject matter jurisdiction or (2) a defect other than a lack of subject matter jurisdiction.'" *Hernandez v. Seminole County*, 334 F.3d 1233, 1236 (11th Cir. Fla. 2003), citing *Snapper, Inc. v. Redan*, 171 F.3d 1249, 1252-53 (11th Cir. 1999).

[30] "Under these two sections, the district court has general authority to remand a case under any of the following circumstances: 1) it has discretion to remand state law claims that were removed along with one or more federal question claims; 2) ***it must act on a timely motion*** to remand based on a defect in the removal procedure; and 3) ***it must remand a case*** over which it has no subject matter jurisdiction. *Adkins v. Ill. Cent. R.R. Co.*, 326 F.3d 828, 849 (7th Cir. Ill. 2003), citing *Buchner v. FDIC*, 981 F.2d 816, 819 (5th Cir. 1993).

[31] "Although the case is before this court on a challenge to the district court's exercise of discretion in refusing to retain jurisdiction over pendent state law claims under 28 U.S.C. § 1367(c), we believe that the record plainly demonstrates that the

similarly, the finding of a defect need not analytically or temporally precede the order of remand.

In each of the foregoing circumstances, a district court is called upon to make a ruling, in its discretion, that would destroy subject matter jurisdiction, but that would not be deemed to precede, in logic or in fact, the order of remand.[32]

Even where it can be said that a determination about jurisdiction precedes the decision to remand "in logic and fact," *Waco v. United States Fidelity & Guaranty Co.*, 293 U.S. 140, 143 (1934), it is generally recognized that the jurisdictional determination and the remand decision itself will not be disaggregated "when there is no order separate from the unreviewable remand order." *Powerex*, 127 S. Ct. at 2419, citing *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 643 (2006) (holding remand order unreviewable because the determination that investors were not injured purchasers or sellers under Securities Litigation

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removal petition was defective because all defendants did not join in the petition or consent to removal. *See Brierly v. Alusuisse Flexible Packaging, Inc.*, 184 F.3d 527, 533 n.3 (6th Cir. 1999), *cert. denied*, 528 U.S. 1076 (2000). "Defendant Adkins not only failed to consent to the removal, but affirmatively opposed it and filed a timely motion to remand. Adkins did not assert the rule of unanimity in support of his motion to remand. However, in reviewing a lower court decision, we may affirm for any reason presented in the record, even if the reason was not raised below." *Loftis v. UPS*, 342 F.3d 509, 514 (6th Cir. 2003).

[32] *See IMFC Prof'l Servs. v. Latin Am. Home Health, Inc.*, 676 F.2d 152, 159-160 (5th Cir. 1982) ("discretion to remand is not prohibited by § 1447(c) or *Thermtron* if that discretion is based on clearly articulated authority").

Uniform Standards Act of 1998 could not be "disaggregated" from the remand decision).[33] It follows, if such decisions are to be viewed in the aggregate, that courts will not assign significance to the sequence by which the ultimate order of remand came about. In sum, the facts underlying the district court's lack of subject matter jurisdiction need not precede the order of remand.

5. The Source of the *Cohill* Remand Power, Whether Within or Outside § 1447, Does Not Determine the Applicability of the Review Ban

The statement in *Cohill* that pendent claim remands and §1447(c) remands "overlap not at all" does not compel the conclusion that §1447(d) is inapplicable to the remand of a case consisting entirely of claims within a district court's supplemental jurisdiction. At the time *Cohill* was decided, §1447(c) provided for remand only of cases removed improvidently, and without jurisdiction. Thus, when *Cohill* was decided, a district court that unquestionably had jurisdiction over pendent claims at the time of removal would have lacked authority to remand the case under §1447(c)

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[33] The Fourth Circuit has held that the *Waco* exception is applicable only to orders are severable, both logically and factually, from the remand order itself, *and* that have a preclusive effect upon the parties in subsequent proceedings, *Palmer v. City Nat'l Bank*, 498 F.3d 236, 240 (4th Cir. 2007); the Second Circuit has explained "that a decision is separable when ' "the issue [being determined] has independent relevance in adjudging the rights of the parties" ' " *Price v. J&H Marsh & McLennan, Inc.*, 493 F.3d 55, 62 (2d Cir. 2007) (citations omitted).

based on developments following removal.[34] *Cohill* recognized a basis for remand in the pendent jurisdiction doctri ne, a di scretionary remand as an alternative to the someti mes harsh consequence of dismissal without prejudice. This type of remand would not be included in remands under §1447(c) as it existed prior to 1988, or §1441(c), involving separate and independent claims, not pendent claims.

Prior to 1988, the remand contemplated by § 1447(c), and a remand based on a ground coming into existence after removal, would logically have been viewed as distinct, and not overlapping. When §1447(c) was amended in 1988, giving district courts the power to remand actions for which jurisdiction was found to be lacking at any time before judgment, the remand of a

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[34] The remand statutes in effect prior to *Cohill* made no provision for remand of an action that had been properly removed to a federal court with jurisdiction. *Cohill*, at 348. *See also, Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 7-8 (1983) ("The jurisdictional structure at issue in this case has remained basically unchanged for the past century. . . . If it appears before final judgment that a case was not properly removed, because it was not within the original jurisdiction of the United States district courts, the district court must remand it to the state court from which it was removed"). Under the earlier statutes, a district court's authority to remand a properly removed case was founded on an inherent discretionary power. *See In re Romulus Community Schools*, 729 F. 2d 431 (6th Cir. 1984); *Fox v. Custis*, 712 F. 2d 84 (4th Cir. 1983); *Hofbauer v. Northwestern National Bank of Rochester*, 700 F. 2d 1197 (8th Cir. 1983); *Brough v. United Steelworkers of America*, 437 F.2d 748, 750 (1st Cir. 1971); *Murphy v. Kodz*, 351 F.2d 163, 168 (9th Cir. 1965); *cf Cook v. Weber*, 698 F. 2d 907 (7th Cir. 1983), and *In re Greyhound Lines, Inc.*, 598 F. 2d 883 (5th Cir. 1979).

properly removed case, based on events occurring after removal, became possible.[35]

Were resort to legislative history deemed necessary, the history of the 1988 amendment of § 1447 does indeed suggest that Congress believed the power to remand pendent claims, and the remand power under §1447 (c), might overlap. Congress indicated its awareness that § 1447(c) could be interpreted as foreclosing remand later in the course of federal court proceedings, when a case consisting of only pendent claims might be remanded. H.R. Rep. No. 100-889, at 72 (1988) reprinted in 1988 U.S.C.C.A.N. 5982, 6033.

Petitioner interprets this commentary, without citation to other authority, as negating the possibility that a discretionary remand of pendent claims could be a remand based on lack of subject matter jurisdiction. On the contrary, the explanation suggests that discretionary remands, in the view of Congress, were within the ambit of §1447(c). It does not, however, resolve the question whether a remand of pendent claims is equivalent to a subject matter jurisdiction remand, expressing only the concern of Congress that the word "defect" not give rise to *any implication* with respect to the later disposition of pendent claims, and matters subject to ancillary jurisdiction as well.

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[35] *See Powerex*, 127 S. Ct. at 2416 ("Nothing in the text of §1447(c) supports the proposition that a remand for lack of subject-matter jurisdiction is not covered so long as the case was properly removed in the first instance. . . . Subsection (e) . . . unambiguously demonstrates that a case can be properly removed and yet suffer from a failing in subject-matter jurisdiction that requires remand.")

Congress had not yet enacted §1367, codifying *Gibbs* and casting the refusal to exercise supplemental jurisdiction as an exception to the general rule of jurisdiction over an entire Article III case or controversy. The "any implication" language of the House Report, and the mention of ancillary jurisdiction in addition to pendent, belie the notion that Congress intended to declare, with the degree of precision suggested by Petitioner, that pendent jurisdiction fell outside the scope of the phrase "lack of subject matter jurisdiction."

Based on these considerations, the phrase "lack of subject matter jurisdiction" should be given the broadest possible reading. The phrase plainly connotes either the lack of original jurisdiction under any of the statutory categories, or under any jurisdictional statute, whether jurisdiction was absent at the time of removal, or was divested at any time before judgment. There is nothing in the words "lack of subject matter jurisdiction" to require a narrower reading.

Because a *Cohill* remand fits within the subject matter jurisdiction prong of §1447(d), as broadly construed in favor of remands, the judgment of the Court of Appeals for the Federal Circuit, that it had no power to review the remand order under § 1447(d), should be affirmed.

II. *Thermtron's* interpretation of § 1447(c) and (d) should be expanded to realize the historical scope and purpose of the review ban

A. Prior to *Thermtron* the Review Ban was Plenary

Section 1447(d), governing procedure following removal generally, plainly forbids review of remand orders in cases removed from state courts ("An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise. . ."). Whether it was ever necessary for the Court to employ a statutory interpretation analysis to apply the words of § 1447(d), it is apparent that what began as a broad prohibition on review of remand orders has been severely narrowed by the decisions of the courts of appeals following *Thermtron.*[36] "Statutory language and objective, thus appearing with reasonable clarity, are not to be overcome by resort to a mechanical rule of construction, whose function is not to create doubts, but to resolve them when the real issue or statutory

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[36] As recounted by the Third Circuit in *Trans Penn Wax*, the courts of appeals have increasingly invoked the exceptions to the bar of § 1447(d), "such that the bar now governs a fairly narrow range of cases." 50 F.3d at 223, citing *Foster v. Chesapeake Ins. Co.*, 933 F.2d 1207, 1210-11 (3d Cir. 1991) *cert. denied*, 502 U.S. 908; *Baldridge v. Kentucky-Ohio Transp., Inc.*, 983 F.2d 1341, 1345 (6th Cir. 1993); 14A Charles A. Wright et al., Federal Practice and Procedure § 3740, at 237 (Supp. 1994) (observing the *Thermtron* exception, while conceived as narrow, has been applied in "numerous decisions").

purpose is otherwise obscure." *United States v. Rice*, 327 U.S. at 752-753, citing *United States v. California*, 297 U.S. 175, 186 (1936); *see also, W. Va. Univ. Hosps. v. Casey*, 499 U.S. 83, 98 (1991); *Iselin v. United States*, 270 U.S. 245, 251 (1926).

In *Thermtron*, the district court had remanded an action to the state court because of a heavy caseload (believing that the plaintiff would get to trial more quickly in the state court), improperly abdicating its mandatory original jurisdiction. This Court applied the *in pari materia* canon of statutory construction to §1447(d)'s ban on review, holding that the review ban was limited to those remand orders entered pursuant to §1447(c). This was ostensibly the predicate for the holding that review, and thus reversal, of the district court's remand order were not barred by the statute.

The Court based its interpretive method on *United States v. Rice*[37] and other pre-1948 decisions, because, as the Court recognized, "the current version of §1447(d) is a recodification of the provision reviewed in *Rice* and is "intended to restate the prior law with respect to remand orders and their reviewability." *Things Remembered v. Petrarca*, 516 U.S. 124, 128 n.4 (1995), citing *Thermtron*, 423 U.S. at 349-350. A broad reading of the lack of subject matter jurisdiction prong is also supported by the history of removal and remand practice, and of §1447.

In *United States v. Rice*, the Court reviewed the

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[37] *United States v. Rice*, 327 U.S. at 749.

history of review of remand orders, and concluded that since 1887, review has generally been barred by statute:

> Before the Judiciary Act of March 3, 1875, 18 Stat. 470, 472, an order of remand was deemed to be not reviewable by appeal or writ of error because the order was not final. *Railroad Co. v. Wiswall*, 90 U.S. 507, 23 Wall. 507;[38] *In re Pennsylvania Co.*, 137 U.S. 451. But §5 of the Act of 1875 expressly authorized the review of an order of remand by appeal or writ of error "in any suit" removed from a state court. This provision was repealed by §6 of the Act of 1887, *supra*, and to make doubly certain, §2, *supra*, specifically prohibited appeals, with the added direction that the order of remand should "be immediately carried into execution". It thus appears that when the Act of 1926 was passed, the practice in removal cases was, as it had been established from the beginning, save for a brief interval under §5 of the Act of 1875, that an order of remand was not appealable, and it is also clear that in 1926, as for forty years before, §2 of the Act of 1887 required the remand of "any" removed cause to "be immediately carried

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[38] In *Railroad Company v. Wiswall*, 90 U.S. 507, 508 (1875), the Court held, "[t]he order of the Circuit Court remanding the cause to the State court is not a "final judgment" in the action, but a refusal to hear and decide," explaining that the only available remedy in such a case was by "mandamus to compel action."

into execution".

Kloeb v. Armour & Co., relied on by the Court in *Thermtron*, had held that the remand provisions, multiple sections of the Judiciary Act at that time:

> were designed to limit possible review of orders remanding causes and thus prevent delay. . . . They entrust determination concerning such matter to the informed judicial discretion of the district court and cut off review.

Kloeb v. Armour & Co., 311 U.S. 199, 204 (1940), citing *In re Pennsylvania Company*, 137 U.S. 451, 454 (1890).

Of the predecessor sections, the Court in *Employers Reinsurance Corp. v. Bryant*, 299 U.S. 374, 380-381 (1937), wrote, "They are *in pari materia*, are to be construed accordingly rather than as distinct enactments, and, when so construed, show, as was held in *Morey v. Lockhart*, 123 U.S. 56, 58 (1887), that they are intended to reach and include *all cases* removed from a state court into a federal court and remanded by the latter." (Emphasis added.) This included cases, if any there were, in which the decision to remand involved an exercise of discretion. *See Kloeb,* 311 U.S. at 204 (effect of review ban was to "entrust determination concerning such matter to the informed judicial discretion of the district court and cut off review").

As the Court observed in *Morey v. Lockhart*, "it is difficult to see what more could be done to make the action of the Circuit Court final, for all the purposes of

the removal, and not the subject of review in this court."

Section 71 of the 1946 Act provided for remand of any cause which a district court shall decide "was improperly removed," and that no appeal from such a remand was allowed.[39] This statute faithfully reproduced the language of Section 1 of the 1887 Act.[40] Section 80 provided for the remand of suits that did not "really and substantially involve a dispute or controversy properly within the jurisdiction of said district court," or where "parties to said suit have been improperly or collusively made or joined, either as plaintiffs or defendants, for the purpose of creating a case cognizable or removable under this chapter."[41]

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[39] Title 28 U.S.C. § 71 (1946 ed.) provided in part: "Whenever any cause shall be removed from any State court into any district court of the United States, and the district court shall decide that the cause was improperly removed, and order the same to be remanded to the State court from whence it came, such remand shall be immediately carried into execution, and no appeal from the decision of the district court so remanding such cause shall be allowed."

[40] 24 Stat. 552, 553.

[41] Title 28 U.S.C. § 80 (1946 ed.) provided: "If in any suit commenced in a district court, or removed from a State court to a district court of the United States, it shall appear to the satisfaction of the said district court, at any time after such suit has been brought or removed thereto, that such suit does not really and substantially involve a dispute or controversy properly within the jurisdiction of said district court, or that the parties to said suit have been improperly or collusively made or joined, either as plaintiffs or defendants, for the purpose of creating a case cognizable or removable under this chapter, the

As the Court recognized in *Thermtron*, §§1447(c) and (d) represented a recodification of §§71 and 80. *Kloeb v. Armour & Co.*, 311 U.S. at 203-205. Section 1447(c) and (d) were intended to restate the prior law with respect to remand orders and their reviewability. The *in pari materia* analysis on which *Thermtron* relied originated in the interpretation of sections 71 and 80, and was necessary because § 80 itself, dealing with the removal of cases over which there was no jurisdiction, "contained no prohibition of appellate review." *Thermtron*, at 348. Thus, this Court recognized, an *in pari materia* interpretation of the removal and remand provisions that existed prior to 1948 was necessary in order to *expand* the reach of the review ban.

The Court in *Rice* also clarified that Section 2 of the 1926 Act foreclosed the right to review by mandamus. *Rice*, 327 U.S. at 749. Much earlier, in *In re Pennsylvania Co.*, the Court evinced an expansive reading of the review ban when it held that while mandamus was not mentioned in the 1887 Act, "[t]he general object of the act is to contract the jurisdiction of the federal courts," explaining that the language of the statute was "strongly indicative of an intent to suppress further prolongation of the controversy by whatever process." 137 U.S. at 454.

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said district court shall proceed no further therein, but shall dismiss the suit or remand it to the court from which it was removed, as justice may require, and shall make such order as to costs as shall be just."

Congress underscored the importance of the review ban when it inadvertently omitted the review ban from the 1948 recodification of the removal and remand statutes, and corrected its omission just a year later, accompanied by the explanation, in the House Report, that the purpose was "to remove any doubt that the former law as to the finality of an order to remand to a State court is continued." H.R. Rep. No. 352, 81st Congr., 1st Sess (1949), 1949 U.S.C.C.A.N. 1248, 1268.

When *Thermtron* was decided, there was no basis for holding that remands under other sections, or other powers, *e.g.*, *Gibbs*, were outside of the broad scope of the §1447(d) review ban. At that time, § 1447, like its predecessors, still applied only to defects in procedure or jurisdiction that existed at the time of removal. The possibility of a discretionary remand based on factors developing after removal was uncommon, or nonexistent. Prior to the 1948 and 1949 amendments to the Judiciary Act, neither the *Gibbs* formulation, nor §1367, existed, and discretionary supplemental jurisdiction under *Hurn v. Oursler*, 289 U.S. 238 (1933), resulted not in remand but in dismissal only.

The review ban enacted in 1887 provided:

> Whenever any cause shall be removed from any State court into any circuit court of the United States, and the circuit court shall decide that the cause was improperly removed, and order the same to be remanded to the State court from whence it came, such remand shall be

> immediately carried into execution, and no appeal or writ of error from the decision of the circuit court so remanding such cause shall be allowed.

Thermtron, at 347, citing Act of Mar. 3, 1887, c. 373, 24 Stat. 553.

Hypothesizing the existence of a legislative intent for the period from 1887 through 1946, that intent was that the review ban was plenary inasmuch as a remand were based on a lawful rationale.

B. The Review Ban Need Not be Limited to Remands Enumerated in § 1447

1. The Limitation of the Review Ban to Remands Under § 1447(c) Was Not Necessary to the Holding in *Thermtron*

In *Thermtron*, this Court decided the question whether the review ban extended to decisions which "revise the federal statutes governing removal" or remand on grounds "not recognized by the controlling statute." *Thermtron*, at 351. The Court held that, because the district court had remanded a properly removed case on grounds that he had no authority to consider, review was not barred by §1447(d). The Court emphasized that its holding was not to be interpreted as circumscribing the broad prohibition on review of remand orders:

> In so holding we neither disturb nor take

> issue with the well-established general rule that § 1447(d) and its predecessors were intended to forbid review by appeal or extraordinary writ of any order remanding a case on the grounds permitted by the statute. But this Court has not yet construed the present or past prohibition against review of remand orders *so as to extinguish the power of an appellate court to correct a district court that has not merely erred in applying the requisite provision for remand but has remanded a case on grounds not specified in the statute and not touching the propriety of the removal.* We decline to construe §1447(d) so woodenly as to reach that result now.

Thermtron, 423 U.S. at 351-52 (emphasis added).

The holding in *Thermtron*, and its reasoning, thus leave open the question whether appellate review, in light of the unconditional language of §1447(d), need be preserved for any reason other than correcting the actions of a district court that are beyond the scope of any remand power.

In *Cohill*, the Court began to limit the reach of *Thermtron*'s sweeping language that no remands other than those authorized by the removal statute were permissible.[42] The Court has also disavowed

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[42] "The language from *Thermtron* that petitioners cite, viewed in isolation, is admittedly far-reaching, but it loses controlling force when read against the circumstances of that

Thermtron's holding that a remand order was not a final judgment. *Quackenbush*, 517 U.S. at 715. It is similarly unnecessary that the Court adhere to *Thermtron's* premise that the remand power was conferred by statute, or that the review ban is confined to remands contemplated by § 1447.

2. The Remand Power is Not Statutory

Thermtron's observation that "[t]here is no indication whatsoever that Congress intended to extend the prohibition against review to reach remand orders entered on grounds not provided by the statute," while historically accurate, was not necessary to the holding in *Thermtron*, and unnecessarily dismissed the possibility that the plain meaning of the broad language of the review ban that originated in Section 2 of the 1887 Act meant what it said, for neither is there any indication that the former statute applied to less than all known types of remand. *See, e.g.*, See Wasserman, Rethinking Review of Remands: Proposed Amendments to the Federal Removal Statute, 43 Emory L. J. No. 1, 89-90, cases cited at nn.27-30.

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case. The *Thermtron* decision was a response to a clearly impermissible remand, of a kind very different from that at issue here. In *Thermtron*, the District Court had no authority to decline to hear the removed case. The court had diversity jurisdiction over the case, which is not discretionary. Thus, the District Court could not properly have eliminated the case from its docket, whether by a remand or by a dismissal. In contrast, when a removed case involves pendent state-law claims, a district court has undoubted discretion to decline to hear the case. The only remaining issue is whether the district court may decline jurisdiction through a remand as well as through a dismissal." *Cohill*, 484 U.S. at 355-356.

In *Babbitt v. Clark*, 103 U.S. 606, 610 (1881), for example, the Court held that the right to remove was statutory, but suggested that the power of remand was implied from the fact that, where the right to remove did not exist, jurisdiction remained with the state court ("if not, the rightful jurisdiction continues in the State court"). *Babbitt* also equated a defect in removal procedure with a failure of the federal court to acquire jurisdiction. Finally, *Babbitt* held that where the federal court "remands the suit on that account, it in effect determines that the controversy involved is not properly within its own jurisdiction." Recognizing that the remand power exists as an alternative to dismissal, for cases removed from state courts, renders the necessity of strict adherence to a statutory interpretation as performed in *Thermtron* less compelling.

3. The Right of Review, First Granted in 1875, was Limited, and was Extinguished in 1887

The right of review of a remand order was established for the first time by the Act of 1875, and was applicable to all manner of removals and remands that were known at the time. *See Turner v. Farmers' Loan & Trust Co.*, 106 U.S. 552, 555 (1883), in which the Court explained:

> We have held in numerous cases that upon the filing in the State court of a petition and bond for removal, the suit being removable under the statute, its jurisdiction ceases. And to the end that litigants may not, in such cases, be

> harassed by doubt as to which court has authority to proceed, the party against whom the removal is had is at liberty to move that the suit be remanded; and the act of 1875, for the first time in the legislation of Congress, declares that an order of the Circuit Court remanding a cause may, in advance of the final judgment or decree therein, be reviewed by this court on writ of error or appeal. . .

But the grant of review was considered limited. *Ex parte Hoard*, 105 U.S. 578, 580 (1882) characterized the review power as limited to remand orders, and excluding orders retaining jurisdiction. That case involved an appeal from an interlocutory order denying remand. In describing the review power provided in the 1875 Act, the Court held that the circuit court had "jurisdiction" to determine whether the case "ought to be remanded," and that Congress created a right of appeal limited to "review of orders to remand." The Court concluded: "The same remedy has not been given if the cause is retained. It rests with Congress to determine whether a cause shall be reviewed or not. If no power of review is given, the judgment of the court having jurisdiction to decide is final."

The Act of 1887 unconditionally repealed the provision for review of remand orders. It should be apparent that Congress, by this enactment, eliminated such review completely.

C. An Expanded Reading of the Review Ban Would Have No Impact on Important Federal Interests

The decisions of this Court finding review power will not be affected by a broadened reading of the review ban. The central holding of *Thermtron,* that a district court's original jurisdiction (that which it must exercise) cannot be abdicated by remand would not be compromised.[43]

Quackenbush, 517 U.S. 706, 712-713, which involved review of an abstention decision under *Burford v. Sun Oil Co.,* 319 U.S. 315 (1943), would be unimpaired, because a remand based on the decision to abstain ordinarily arises in a case over which the district court's jurisdiction is mandatory, as in *Thermtron*. Similarly, *Osborn v. Haley, supra*, 549 U.S. 225, would retain its force, holding that a more specific remand statute, as in the Westfall Act, controls the more general § 1447, and that a remand in derogation of an express federal right, such as immunity under the Westfall Act, was an appealable final order under 28 U.S.C. § 1291.

The cases in which an abuse of discretion has been found are extremely rare, as might be expected. The experience of the courts of appeals strongly suggests that there is no great vice in curtailing review

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[43] *See Baker v. Kingsley, supra,* 387 F.3d at 656-57 ("[i]t is an abuse of discretion for a district court to remand a federal claim that is properly before it"); *Green v. Ameritrade, Inc.*, 279 F.3d 590, 596 (8th Cir. 2002) ("a district court has no discretion to remand a claim that states a federal question").

of remand orders because of the need to curb district court abuses.

Further, the desire of a defendant, such as CTI, for a federal forum in which to assert a defense which arguably, although tangentially, raises a federal issue, cannot be held to outweigh the review ban. In the absence of federal question jurisdiction, which is admittedly lacking in this case, CTI would have no recourse to a federal forum under the jurisdictional statutes. Indeed, CTI appears to undermine its argument that the remand in this action was not on jurisdictional grounds when it contends that, if it is correct, "respondents' asserted 'state' causes of action would be within the exclusive jurisdiction of the federal courts." (Brief for the Petitioner, at 51.) By clothing its argument in terms of exclusive federal jurisdiction, CTI in essence concedes that the remand below was colorably for lack of such jurisdiction. Carrying this argument to its logical extreme would lead to the anomalous situation that the remand of a case based on declining supplemental jurisdiction would be reviewable, while remanding the same case (in the Article III sense), when cast exclusively as a federal cause of action, finding no federal question jurisdiction, would not.

The Court in *Rice* dismissed any such concerns, observing that each party "loses, by the order [of remand], such right as there may be to litigate the case in the federal courts on removal, but both retain such rights as they may have to continue the litigation in the state court or to bring an independent suit in the federal courts." 327 U.S. 742, 749.

Nor would expanding *Thermtron's in pari materia* analysis to a limited extent create line drawing problems. Courts can identify those remands which are constitutionally impermissible, as where a district court lacks discretion to abdicate its jurisdiction under Article III, by the same means, and with the same degree of certainty, as the determination whether a remand is "colorably" based on lack of subject matter jurisdiction, authorized by the Court authorized in *Powerex*.

The Court may thus hold that the review ban extends to all remand orders, mandatory or discretionary, so long as the district court has stated a colorably lawful basis for its decision.

CONCLUSION

The subject matter jurisdiction prong of §1447(c) should be broadly construed in favor of remands, such that the review ban of §1447(d) encompass all remand orders, colorably authorized by statute or decisional law, which do not defeat the right of a party to proceed in a federal forum. *Cohill* remands fall squarely within the subject matter jurisdiction prong of §1447(d), as broadly construed, and should thus be subject to the review ban.

Thermtron, while correctly decided, employed broad language which, in the ensuing years, has cast doubt on the breadth of the ban on appellate review of remand orders. Throughout its long history, the review ban has been plenary, so long as a court's decision to remand was based on recognized considerations. The Court has restricted some of *Thermtron's* pronouncements to their context, and should do so now with respect to the limitation placed on the review ban.

To the extent *Thermtron's* limiting analysis is precedential, experience with review of remand orders has shown that such a limitation serves no purpose, and specifically, allowing review of district court discretion where the exercise of jurisdiction is optional, while barring review of remands in which original federal question jurisdiction has been found lacking, is anomalous and places an unnecessary burden on the courts of appeals and the parties.

The decision of the Court of Appeals for the Federal Circuit, dismissing the appeal, should be affirmed.

Respectfully submitted,

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CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO., LTD.,
Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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REPLY BRIEF FOR THE PETITIONER

As expressly summarized in the Question Presented by Petitioner Carlsbad Technology, Inc. ("Petitioner" or "CTI"), this Court in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S.Ct 2411, 2416 (2007), identified two open issues when it stated that "it is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" and noted that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)." Yet, Respondents' opposition never directly confronts either of those two issues.

As Petitioner set forth, this Court's first reserved question in *Powerex* can be easily resolved by adhering to the oft-recognized distinction between a federal court's power to decide a case and its separate discretion to decline to exercise any such power that it already has. Absent the jurisdictional power to hear a case, a court cannot have any discretion to decline it. Jurisdiction in this context can never merely be colorable; such power either exists or it does not. Thus, a remand following a court's discretionary decision to decline to exercise its existing supplemental jurisdiction cannot properly be deemed to have been "colorably" based on "a lack of subject-matter jurisdiction" for purposes of *Powerex*.

Petitioner further demonstrated how the clear distinction between a court's jurisdictional power and its separate discretion authorized appellate review of the abstention-based remand in *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706 (1996), and supported similar appellate reviews of remands following discretionary decisions to decline declaratory judgment jurisdiction. CTI Br. 49-50. Without addressing the "power vs. discretion" distinction, Respondents assert that declining to exercise supplemental jurisdiction and a lack of subject matter jurisdiction should be deemed to be "equivalent." Resp. Br. 2. However, the cessation of a district court's jurisdiction once the court dismisses, remands, or enters judgment in a case cannot transform every such action into being one that was undertaken based on a lack of subject-matter jurisdiction.

Respondents also ignore the reasoning in the decisions of the nine other courts of appeal that have recognized the determinative distinction between a court's power to de ide and its discretion not to exercise such power in holdir.g that "*Cohill*-remands" under 28 U.S.C. § 1367(c)(3) do not fall within the scope of the appellate review bar in § 1447(d). See CTI Br. 43-44 (and cases cited). Instead, conceding that "[s]upplemental jurisdiction is unquestionably a type of subject matter jurisdiction" (Resp. Br. 2), Respondents invent possible reasons for why and how this Court might hold that declining existing jurisdiction should be treated the same as never having it at all. None provide any legitimate justifications for overriding the statutory language, this Court's precedents, or the analyses of the other nine circuits.

The other question reserved in *Powerex* concerned "whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)." See 127 S. Ct. at 2416. That question is squarely presented here, and its answer should require comparing the current language of § 1447(c) to the pre-1988 version applicable when *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976), was decided and to the post-1988 version in effect when *Quackenbush* was decided. Respondents never examine the specific post-*Thermtron* statutory language changes. Instead, they overstate *Powerex* as questioning the general applicability of § 1447(d)'s review ban to *Cohill*-remand orders rather than merely identifying it as an open question under only the current statutory language. Resp. Br. 2.

By its terms, this Court's caution in *Powerex* encompassed the reviewability of § 1367(c) remands only under the present version of § 1447(c). In *Powerex*, this Court recognized that its decision in *Quackenbush* had already affirmed that *Thermtron*'s statutory construction remained applicable to the post-1988 statute when it interpreted § 1447(d) to preclude review only of remands for lack of subject matter jurisdiction and for defects in removal procedure, as stated in the post-1988 version of § 1446(c) in effect when *Quackenbush* was decided. See 127 S. Ct. at 2416. Moreover, because it was not argued otherwise, this Court in *Powerex* assumed that Congress's expansion of the remands subject to a 30-day removal period in the post-1996 version of § 1447(c) from "any defect in removal procedure" to "any defect other than subject matter jurisdiction" also did not alter *Thermtron*'s gloss on § 1447(d). See 127 S. Ct. at 2416.

At most, this case requires this Court to confirm its assumption in *Powerex* that the review bar in § 1447(d) still applies only to the grounds for remand specified in the current, post-1996 version of § 1447(c). Implicit in Respondents' failure to analyze the statutory language changes since *Thermtron* is their recognition that no basis exists for holding that a district court's discretionary decision to remand under § 1367(c) constitutes a "defect" for purposes of the current version of § 1447(c). Absent a remand based on any such "defect" or a "lack of subject matter jurisdiction," the appellate review bar in § 1447(c) does not apply.

Finally, this Court should reject Respondents' implicit, belated, and unsupported suggestion to overrule Thermtron's now-settled gloss on § 1447(d). Since *Thermtron* was decided in 1976, Congress has twice amended § 1447(c), and both times did not alter this Court's statutory construction and affirmatively adhered to this Court's analytical approach. In light of those post-*Thermtron* amendments, Respondents' suggestion that the review ban in § 1447(d) need not have been limited to the grounds for remand enumerated in § 1447(c) provides no basis for altering the legal conclusion of both Congress and this Court that the review ban is indeed exactly so limited.

ARGUMENT

Since first established in *Thermtron*, this Court has repeatedly affirmed that "[o]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)." *Quackenbush*, 517 U.S. at 711-12; *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 127-28 (1995). Under the current version of § 1447(c), the specified grounds for remand are (1) "lack of subject matter jurisdiction," and (2) "any defect other than lack of subject matter jurisdiction," provided that a motion to remand on such latter ground is made within 30 days after the filing of the notice of removal. Because neither of those specified grounds in § 1447(c) applies to this case, the Federal Circuit erred in holding that § 1447(d) barred it from resolving CTI's appeal of the district court's remand order.

Stated conversely, the appellate review bar of § 1447(d) does not apply if a district court's remand order is based (1) on a defect other than subject matter jurisdiction where the motion to remand based on such defect is filed more than 30 days after the notice of removal, or (2) on any other ground not specified in § 1447(c). Under this Court's precedent, examples of the latter "not specified in § 1447(c)" grounds include the "crowded docket" remand held to be reviewable in *Thermtron*, and the abstention-based remand held to be reviewable in *Quackenbush*. Here, because the remand was indisputably based on the district court's discretionary decision under § 1367(c)(3) to decline to exercise its supplemental jurisdiction after dismissing Respondents' federal RICO claim, such remand was also not based on a ground specified in § 1447(c).

Like the abstention-based remand held to be reviewable in *Quackenbush*, a remand entered in accordance with a court's discretion afforded in § 1367(c)(3) should not be deemed to have been based either on a lack of subject matter jurisdiction or on any other "defect" as that term is used in § 1447(c). Notably, Respondents do not argue that the district court's remand entered under § 1367(c)(3) could be characterized as resulting from a "defect" for purposes of § 1447(c). Hence, under *Powerex*, the remand here could be insulated from appellate review under § 1447(d) only if it was "colorably" based on a lack of subject-matter jurisdiction.

Respondents agree that subject-matter jurisdiction includes the supplemental jurisdiction granted by § 1367(a). This in turn should compel the

conclusion that a district court's subsequent discretionary decision to decline to exercise its existing supplemental jurisdiction in a removed case does not result in a remand that is "colorably" based on a lack of subject-matter jurisdiction for purposes of *Powerex*. Indeed, every other federal court of appeals faced with this issue has concluded that a remand order entered pursuant to § 1367(c) does not implicate § 1447(c) because such remand results from a discretionary decision declining the exercise of expressly acknowledged jurisdiction. See CTI Br. 43-44 (and cases cited).

Moreover, the other courts of appeal have followed this Court's reasoning in *Quackenbush* in holding similarly that appellate review is available for remands resulting from exercising discretion to decline declaratory judgment jurisdiction and from enforcing forum selection clauses, which also do not implicate a ground for remand specified in § 1447(c). See CTI Br. 36-40, 48-50 (and cases cited). As shown below, Respondents' attempts to defend the Federal Circuit's mischaracterization of *Cohill*-remands as resulting from a lack of subject-matter jurisdiction should be rejected.

I. A DISCRETIONARY DECISION TO DECLINE EXISTING SUPPLEMENTAL JURISDICTION IS NOT EQUIVALENT TO A LACK OF SUBJECT-MATTER JURISDICTION

Having properly conceded that supplemental jurisdiction is a type of subject matter jurisdiction (Resp. Br. 2, 14), Respondents further agree that

§ 1367(a) "casts the exercise of supplemental jurisdiction in mandatory terms ..., requiring that district courts exercise supplemental jurisdiction in the absence of one of the statutory grounds for declining it." Resp. Br. 15. Without more, it follows that the supplemental jurisdiction conferred under § 1367(a) provides a federal district court with complete subject matter jurisdiction over the removed case unless and until the court later declines to exercise such jurisdiction. See *City of Chicago v. Int'l College of Surgeons*, 522 U.S. 156, 167 (1997).

Nevertheless, Respondents assert that a district court's decision to decline to exercise supplemental jurisdiction should be the equivalent of the court never having such jurisdiction in the first place. As shown below, Respondents' reasons for equating a discretionary decision to decline to exercise jurisdiction as being the same as a lack of such jurisdiction are unpersuasive.

1. Remands Under Any Subsection Of § 1367(c)(3) Should Be Treated The Same For Reviewability Under § 1447(d)

Respondents recognize that 28 U.S.C. § 1367(c)(3) correlates to the "*Cohill* remand" situation which results when a district court dismisses all claims in a removed case over which the court had original jurisdiction. Resp. Br. 16. That scenario, which leaves only state law claims to be resolved by the federal court, reflects the status of this case at least as the district court viewed it after

dismissing Respondents' federal RICO claim. Resp. Br. 16; see App. 28a. Notably, the district court's dismissal of Respondents' RICO claim did not occur until months after the court had already exercised jurisdiction over the entire removed case containing all twelve of Respondents' asserted causes of action.

What Respondents overlook, however, is that subsection (2) of § 1367(c) parallels the scenario underlying this Court's earlier decision in *Quackenbush*, which expressly held that a district court's remand based on "*Burford*" abstention is reviewable on appeal notwithstanding the provisions of § 1447(d).[1] See 517 U.S. at 712. Given that this Court in *Quackenbush* has already held that an abstention-based remand generally tracking the grounds specified in § 1367(c)(2) is reviewable on appeal, there should be no reason to treat a district court's discretionary remand rendered pursuant to a parallel subsection, § 1367(c)(3), any differently for purposes of § 1447(d).

Respondents try to distinguish § 1367(c)(3) from the other three subsections of § 1367(c) on grounds that "the exercise of discretion under Subsection (3) is unrestricted." Resp. Br. 16.

[1] See *Burford v. Sun Oil Co.*, 319 U.S. 315 (1943); see also Deborah J. Challener & John B. Howell, III, *Remand and Appellate Review When A District Court Declines To Exercise Supplemental Jurisdiction under 28 U.S.C. § 1367(c)*, 81 Temp. L. Rev. (2008), SSRN: http://ssrn.com/abstract=1266879, at 43 n.200 (Sept. 11, 2008) (hereinafter "Challener") (discussing similarities between this Court's abstention various doctrines and the other subsections of § 1367(c)).

However, the discretion afforded to district courts under subsection (3) is no different in character and is no less reviewable on appeal than is the discretion afforded to the district courts under the other three subsections. Moreover, Respondents' attempt to characterize the discretion under § 1367(c)(3) as allegedly creating "a bright-line rule for declining jurisdiction" is equally unfounded. Resp. Br. 16. The very concept of affording discretion to district courts is the antithesis of creating a bright-line rule.

Given its clear rationale and relationship to a parallel subsection of § 1367(c), this Court's holding in *Quackenbush* should compel a consistent holding in this case. Abstaining from exercising original jurisdiction and making a discretionary decision not to exercise supplemental jurisdiction both necessarily occur after such jurisdiction has already been conferred, such that the resulting remand in each instance does not occur because the federal court lacked jurisdiction or would not have had the power to decide the case. Hence, this Court should hold that a court's discretionary decision under § 1367(c)(3) to decline to exercise its supplemental jurisdiction granted under § 1367(a) is not based on a lack of subject matter jurisdiction.

2. The Discretion To Decline To Exercise Jurisdiction Under § 1367(c)(3) Is Not An Exception To The Jurisdiction Granted Under § 1367(a)

As shown by CTI, the Federal Circuit erred in conceptualizing a district court's decision not to

exercise its supplemental jurisdiction as meaning that the court is not "extending" its jurisdiction to claims over which it has no independent basis for subject matter jurisdiction. See CTI Br. 45-46 (citing App. 19a). Instead, the court in that situation is not declining to "extend" jurisdiction, it is only declining to exercise the existing jurisdictional power conferred by Congress to hear the case.

Respondents nevertheless insist that the mandatory jurisdictional grant in § 1367(a) should be construed as subject to an "exception" because § 1367(a) is prefaced by the phrase "[e]xcept as provided in subsections (b) and (c)." Resp. Br. 17. On that basis, Respondents assert that the exercise of discretion under § 1367(c) is "tantamount" to the "elimination" of subject matter jurisdiction. Resp. Br. 18. However, the contrasting language within the referenced subsections (b) and (c) demonstrates that Respondents are putting more weight on the "except" language in the preface of § 1367(a) than it can bear.

In § 1367(b), Congress provided that where a district court's original jurisdiction is based solely on diversity under 28 U.S.C. § 1332, such court "shall not have supplemental jurisdiction under subsection (a)" over certain types of specified claims brought by plaintiffs or involuntary plaintiffs "when exercising supplemental jurisdiction over such claims would be inconsistent with the jurisdictional requirements of section 1332." Subsection (b) thus limits the supplemental jurisdiction granted under subsection (a) by stating that a court may not allow any plaintiffs to add additional claims that would defeat

the district court's diversity jurisdiction. In that manner, subsection (b) operates to preserve rather than undo a district court's existing subject matter jurisdiction under § 1332.

In contrast, subsection (c) of § 1367 does not bar or eliminate any existing jurisdiction and does not utilize any mandatory "shall" or "shall not" language at all. Instead, subsection (c) states that a district court "may" decline to exercise the supplemental jurisdiction granted under subsection (a) in the circumstances specified within its own subsections. As CTI's brief also explained, the use of the permissive "may" in § 1367(c) reflects that a court's separate ability to decline to exercise the jurisdiction conferred by Congress under § 1367(a) is left to the court's discretion. CTI Br. 46 (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 224 n.6 (3d Cir. 1995)). Thus, the "except" language in subsection (a) does not itself create an exception to or limitation on the jurisdiction granted, which attaches only as separately provided in the language of subsection (b) but not in the discretionary language of subsection (c).

The plain language of § 1367(a) read in conjunction with the plain language of § 1367(c) shows that "full and exclusive subject matter" jurisdiction is granted by § 1367(a) while the "exception" in its preface does not alter the discretion that § 1367(c) allows to district courts to decline to exercise such jurisdiction. Respondents' only other authority for characterizing § 1367(c) as eliminating the jurisdiction granted by § 1367(a) is *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007), the

same case relied on by the Federal Circuit. See Resp. Br. 18. As already shown at CTI Br. 47, the cited passage from *Voda* is both dicta and incorrect, and is inconsistent with the statute and other passages in the same opinion.

When a district court elects not to exercise the subject matter jurisdiction conferred under § 1367(a), the remanding court is merely exercising the separate discretion reserved to the court by Congress under § 1367(c), and is not eliminating or refusing to extend any jurisdiction expressly conferred by Congress. Thus, Respondents' statutory analysis provides no basis for why this Court's clear rationale in *Quackenbush* should not be controlling in this context as well.

3. The Fact That Discretion In Other Contexts Can Eliminate Jurisdiction Does Not Mean That Discretionary Remands Under § 1367(c)(3) Are Based On A Lack Of Jurisdiction

CTI's position that the discretion afforded under § 1367(c) to decline supplemental jurisdiction does not result in a remand for lack of subject matter jurisdiction is not undermined by Respondents' citation of other instances where a district court's exercise of discretion can result in a remand for lack of subject matter jurisdiction. In each instance, the relevant issue is not whether the court has been given or exercises discretion, but whether the remand that follows from its exercise of discretion is one based on lack of jurisdiction or not.

28 U.S.C. § 1447(e) authorizes district courts to allow the joinder of additional defendants who would defeat diversity jurisdiction under § 1332, which thus requires the case be remanded to state court. Under § 1447(e), the court's discretionary decision to allow such joinder upon concluding that the claims against the new defendants should be heard in one case before one court does lead to a remand for lack of subject matter jurisdiction and thus is not reviewable under § 1447(d).[2] Under § 1367(c), however, the district court's discretionary decision that the case should be heard by a state court after all federal claims have been dismissed does not eliminate the federal court's power to hear the case, but merely reflects a decision not to exercise such power. Thus, unlike under § 1447(e), the court's discretionary decision under § 1367(c)(3) does not eliminate the court's subject matter jurisdiction to hear the case and thus the resulting remand is not based on a lack of subject matter jurisdiction.

Respondents cite two other types of remands also arguably resulting from district court discretionary decisions. See Resp. Br. 24-25 & nn.27-28. However, neither example justifies treating discretionary decisions as a ground for remand implicated by § 1447(c), and both examples merely illustrate remands resulting from a lack of subject

[2] See, e.g., *Blackburn v. Oaktree Capital Management, LLC*, 511 F.3d 633, 636-37 (6th Cir. 2008) (remand pursuant to § 1447(e) is for lack of jurisdiction and is thus unreviewable on appeal); *Alvarez v. Uniroyal Tire Co.*, 508 F.3d 639, 640-41 (11th Cir. 2007) (same).

matter jurisdiction. For example, if a district court holds that the "artful pleading" doctrine is inapplicable, then there never was a federal claim that justified the removal or any federal jurisdiction over the state law claim being remanded. Similarly, if the federal court revises the pleading language that transformed a state law claim into a federal claim, there again was never a federal claim or any basis for subject matter jurisdiction in the federal court. Unlike the present situation, such remands are for lack of subject matter jurisdiction and would be barred from review under § 1447(d), but neither conclusion can be tied to the district court having exercised discretion.

Finally, Respondents' attempts to suggest that remands under the "defect" prong of § 1447(c) may be discretionary also misses the point. See Resp. Br. 25-27. For purposes of the review bar in § 1447(d), it does not matter whether remands for a "defect other than lack of subject matter jurisdiction" are discretionary or mandatory. Instead, when such remands have been ordered, the issue under § 1447(d) is whether such remands were entered based on a motion to remand made within 30 days after the filing of the notice of removal. See CTI Br. 38 n.6. As explained in that footnote, a remand for such a "defect" based on a motion filed within 30 days would be within the terms of § 1447(c) and thus barred from review under § 1447(d). However, a remand for such a defect entered on a motion filed more than 30 days after the notice of removal would be outside the remand grounds authorized by § 1447(c) and hence would not be barred from review under § 1447(d).

In each instance, the mere existence of a discretionary decision by the district court does not have any bearing on the inquiry before this Court. Thus, this Court should reject Respondents' suggestion that any remand that follows a district court's exercise of discretion should be construed as one that is "colorably" based on a lack of subject matter jurisdiction.

II. RESPONDENTS' EFFORTS TO DISPROVE A REQUIRED "CHRONOLOGICAL SEQUENCE" FOR THE REMAND DECISION ARE IRRELEVANT

Respondents undertake considerable effort in trying to establish that there is no need for a "chronological sequence" for the decision to remand based on a lack of subject matter jurisdiction and that it is not necessary that any lack of jurisdiction be established solely from "a finding of adjudicative facts." Resp. Br. 22-23. Petitioner never advanced either contention, and Respondents' attempts to create "strawmen" on such issues should be disregarded.

1. A Remand Under § 1367(c)(3) Is Not "Colorably" Based On Lack Of Jurisdiction Merely Because The Remand Order Divests The Court Of Jurisdiction

Respondents' overarching premise appears to be that all remands should be treated as being based on a lack of subject matter jurisdiction because every remand causes the district court's jurisdiction to

cease.[3] Resp. Br. 22. However, that premise is clearly invalid. Otherwise, no remand by a district court could ever have been reviewed on appeal because every such remand order ends the district court's jurisdiction and thus every remand would be based on a lack of subject matter jurisdiction for purposes of § 1447(d). Because the remands in *Thermtron* and *Quackenbush* were held by this Court to be reviewable on appeal, this Court has never interpreted "lack of subject matter jurisdiction" for purposes of § 1447(c) as being applicable to every remand merely because the district court's jurisdiction over the remanded case ceased after its own remand order.

Respondents' theory cannot be squared with *Thermtron* and *Quackenbush*. Nevertheless, they still assert that a discretionary decision remanding a case to state court under § 1367(c)(3) could be broadly viewed as being "colorably" based on a lack of subject-matter jurisdiction because the court's "decision to remand, and entry of the remand order, divest[s] the court of jurisdiction." Resp. Br. 22. However, every disposition which ends a court's jurisdictional power cannot be transformed into one

[3] Respondents acknowledge that this assertion implicates conflicting decisions regarding whether a district court can reconsider its own remand decision entered for one of the grounds in § 1447(c) which would be unreviewable under § 1447(d). Resp. Br. 22 n.24. As Respondents further concede, whether a district court has such "reconsideration" jurisdiction cannot answer whether the remand here was based on a lack of jurisdiction for purposes of § 1447(c) because that is the very question before this Court. See Resp. Br. 22 n.24.

that was "colorably" based on a lack of subject-matter jurisdiction.

Jurisdiction over a single case can only reside in one court at any one time.[4] See, e.g., *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58-59 (1982). This is true whether the two courts are a trial court and a court of appeals, as in *Griggs*, or whether the two courts are a federal court and a state court, as in this situation. Once jurisdiction passes from one court to another, the court that relinquished jurisdiction no longer has the power to take any action in the case once jurisdiction resides in the other court.

That fact cannot mean that "the words 'lack of subject matter jurisdiction' should encompass any means by which the district court may be lawfully divested of jurisdiction." Resp. Br. 23. If that position were to be accepted, every remand of a removed case to state court and every final disposition of a case by a federal court would have to be characterized as having been rendered for lack of subject matter jurisdiction simply because a court always loses the jurisdictional power to take further action in the case once any final order dismissing, remanding, transferring, or terminating the case has been entered.

[4] This situation can be contrasted with two separate cases raising the same issues being concurrently pending in two different courts, such as a patent infringement case brought by a patentee in one district and a mirror-image declaratory judgment action by an alleged infringer in another district.

For example, a district court will be divested of jurisdiction upon transferring a case or upon entering a final judgment (or upon denying post-judgment motions under Fed. R. Civ. P. 50 and 59), but every such disposition that concludes the litigation and finally terminates a case in that court cannot be characterized has having been "colorably" based on a lack of subject-matter jurisdiction. Clearly, vitally important ramifications attach to a district court's disposition being a judgment on the merits as opposed to being only a dismissal for lack of jurisdiction. The resulting effect on the doctrines of finality, claim and issue preclusion, and the like would be chaotic. To avoid such problems, this Court cannot accept that "lack of subject matter jurisdiction" encompasses any means by which a district court "may be lawfully divested of jurisdiction." Resp. Br. 23.

2. A Discretionary Remand Under § 1367(c)(3) Will Always Arise After Removal

There is also no merit to Respondents' assertion that "there is no logical necessity that the existence of facts establishing a lack of jurisdiction chronologically precede the decision to remand." Resp. Br. 23. Even if the sequence were relevant in other situations, a *Cohill*-remand of the type in question here will always be preceded by the district court's decision to dismiss all federal claims, and the subsequent discretionary decision to remand, by itself, cannot be viewed as stemming from "a finding of adjudicative facts."

Here, to the extent that the district court's decision to remand here was even arguably related to any post-removal adjudication of facts, any such adjudication pertained only to the court's decision to dismiss the federal RICO claim under Fed. R. Civ. P. 12(b)(6). App. 30a-33a. While dismissal of Respondents' RICO claim necessarily preceded the district court's decision to exercise its discretion to remand, that sequence will always exist under § 1367(c)(3) because that subsection only authorizes the district court to exercise its discretion to decline supplemental jurisdiction if "the district court has dismissed all claims over which it has original jurisdiction."

CTI has not relied on the timing of the district court's remand decision. CTI acknowledged that this Court in *Powerex* held that a lack of subject matter jurisdiction that causes a federal court to remand a removed case back to state court is not limited, for purposes of the appellate review bar in § 1447(d), to jurisdictional defects that existed at the time of removal. See CTI Br. 21-22 (citing 127 S. Ct. at 2416). As this Court explained, nothing in the statutory text "supports the proposition that a remand for lack of jurisdiction is not covered so long as the case was properly removed in the first instance." 127 S. Ct. at 2416.

Here, Respondents' "sequential" distinction does not matter because it was undisputed that the district court had subject matter jurisdiction over this case at the time of removal due to Respondents' federal RICO claim. Respondents have never contested that their RICO claim presented a federal

question which provided a valid basis for removal. Respondents have also never contested that their federal RICO claim was sufficient for subject matter jurisdiction in the district court without regard for whether any of their other asserted causes of action should have been deemed to arise under the patent laws or to depend on a substantial question of patent law. See App. 13a n.2.

Similarly, there is no dispute that a district court's discretionary decision to remand the remaining state law claims will always occur after the case has been removed. CTI Br. 22. In other words, unless and until the existing federal claims are dismissed post-removal, there is no opportunity or reason for a district court to exercise its discretion under § 1367(c) to decline its supplemental jurisdiction and remand. For that reason, the question presented here cannot be resolved on the basis that the reason for the remand arose post-removal. Thus, there is no significance to Respondents' attempts to disprove a required chronological sequence for a district court's decision to decline to exercise supplemental jurisdiction and then remand.

Finally, Respondents' attempt to characterize Petitioner's position as depending upon this Court's rationale in *Waco v. United States Fidelity & Guaranty Co.*, 293 U.S. 140, 143 (1934), is misplaced. See Resp. Br. 27-28. As explained in *Powerex*, this Court in *Waco* held that appellate jurisdiction existed to review the order of dismissal, although the resulting remand order itself could not be set aside. 127 S. Ct. at 2419 (citing 293 U.S. at 143-44).

However, this Court in *Powerex* also pointed out that *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 644 n.13 (2006), determined that *Waco* does not permit an appeal when there is no order separate from the unreviewable remand order. See 127 S. Ct. at 2419.

Accordingly, CTI had no reason to cite or attempt to invoke *Waco* because no order was issued in this case separate from the remand order. Moreover, CTI is indisputably seeking through its appeal to set aside the district court's order remanding this case to state court. On that basis as well, Respondents' attempts to disprove that there is any significance in the sequence of the district court's non-existent "lack of jurisdiction" finding relative to the entry of its remand order makes no sense and should be disregarded.

III. RESPONDENTS' IMPLICIT REQUEST FOR THIS COURT TO OVERRULE *THERMTRON* SHOULD BE REJECTED

Respondents' final arguments implicitly request this Court to revisit and undo its long-settled statutory construction in *Thermtron*. Not only has the Court declined explicit requests to overrule *Thermtron* or to limit its holding to its facts during the past two terms in *Kircher* and *Powerex*, but Respondents' request merely rehashes the history of § 1447(c) and § 1447(d) reflected in this Court's pre-*Thermtron* decisions. See Resp. Br. 33-46. Because that such history constitutes the same template upon which *Thermtron* was decided, Respondents have provided no reason for this Court to revisit that established precedent now.

1. The 1988 And 1996 Amendments To § 1447(c) Confirm That Congress Has Adopted This Court's *Thermtron* Decision

As already discussed, Congress has twice amended § 1447(c) since *Thermtron* was decided in 1976. As Petitioner has shown, and as this Court has at least implicitly recognized, those statutory amendments in 1988 and 1996 did not alter this Court's statutory construction approach set forth in *Thermtron*. In fact, Congress implemented its later amendments in a manner that reflected its acceptance rather than an intent or design to alter this Court's statutory construction. See, e.g., *Bragdon v. Abbott*, 524 U.S. 624, 645 (1998) ("When ... judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its ... judicial interpretations as well"); *Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978).

As explained at CTI Br. 34-35 & 37-39 & n.6, other courts of appeal have examined the legislative histories of the 1988 and 1996 amendments and concluded that Congress did not intend in either instance to make substantive changes to this Court's *Thermtron* analysis. In *Snapper, Inc. v. Redan*, 171 F.3d 1249, 1256-60 (11th Cir. 1999), the Eleventh Circuit held that neither the 1986 nor the 1996 amendments altered the scope of the remands authorized by § 1447(c) or the scope of the appellate review bar in § 1447(d). That court further explained that its conclusion was supported by the

statutory language, the legislative history, and "the well-established case law from which it is clear that Congress had no intention of departing." See 171 F.3d at 1260.

Among others, the Eleventh Circuit in *Snapper* cited *In re Medscope Marine Ltd.*, 972 F.2d 107, 109-10 (5th Cir. 1992), in which the Fifth Circuit held that the 1988 amendments were "a mere reconstitution of the existing statute and jurisprudence." See 171 F.3d at 1257 n.14. The court in *Snapper* also relied on the Third Circuit's analysis in *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151, 156 n.3 (3d Cir. 1998), which had concluded that the 1996 amendments were not "a wholesale rejection of *Thermtron* and a dramatic expansion of § 1447(d)" and assumed "that Congress did not mean to upset the *Thermtron* limits on § 1447(d), and that they remain in effect unchanged by the intervening textual modifications to § 1447(c)." See 171 F.3d at 1259.

Similarly, the First Circuit in *Autoridad de Energia Electrica de Puerto Rico v. Ericsson, Inc.*, 201 F.3d 15, 17 (1st Cir. 2000), concluded "[i]f Congress had truly desired to overrule *Thermtron* and its progeny, we think it would have chosen less oblique means" and agreed with the Eleventh Circuit in *Snapper* "that Congress had no such intent." However, the Federal Circuit never discovered, much less analyzed, the detailed reasoning of its sister circuits discussed above. See CTI Br. 31-41. Notably, Respondents also never acknowledge or address the analyses of the statutory amendments set forth in these decisions.

As explained at CTI Br. 36, Congress viewed its 1996 amendments as "technical and non-controversial." In light of the unanimous conclusions that Congress's 1988 and 1996 amendments fully adhered to *Thermtron*'s gloss and imposed no substantive change to the scope of § 1447(d), it is too late for Respondents to suggest here that the review ban in § 1447(d) did not have to be limited to the grounds for remand enumerated in § 1447(c) as held in *Thermtron*. This Court has already held and Congress has already reaffirmed that the review ban is so limited, and there is nothing in the current statute that was intended to or that supports any different conclusion.

2. It Is Not For The Judiciary To Decide Whether Appellate Review Of Remands Under § 1367(c) Is A Good Idea

Contrary to Respondents' misplaced policy arguments, it is not this Court's obligation or role to decide whether appellate review of § 1367(c) remands will be worthwhile or whether such reviews will result in few or many reversals. Moreover, even if it were, Respondents themselves cite numerous examples where a district court abused its discretion in remanding a case to state court. See Resp. Br. 20 & nn.21-22, 44 & n.43. Thus, Respondents disproved their own assertion that such instances would be "extremely rare." Resp. Br. 44.

Moreover, since the Federal Circuit's decision in this case, the Fifth Circuit has reached the same conclusion as the Ninth Circuit on remand in the

Powerex case itself[5] by also declining to follow the Federal Circuit's jurisdictional analysis of § 1447(c) and § 1447(d). See *Brookshire Bros. Holding, Inc. v. Dayco Prods., Inc.*, No. 07-21154, 2009 WL 22876, at *2-3 (5th Cir. Jan. 6, 2009). More importantly, after adhering to its precedent holding that discretionary remands pursuant to § 1367(c) are reviewable on appeal, the Fifth Circuit expressly determined in that particular case that the district court's remand constituted an abuse of discretion.

First, in addressing the same appellate jurisdiction issue currently before this Court, the Fifth Circuit in *Brookshire* recognized as the Federal Circuit conceded in the present case (App. 13a) that the district court's order of remand was clearly based on the discretionary standard set forth in 28 U.S.C. § 1367(c). See 2009 WL 22876, at *3. As in this case, no other rationale had even been suggested by the district court. Where that discretionary decision indisputably forms the basis for the district court's remand, the Fifth Circuit held that, for purposes of this Court's standard in *Powerex*, an order of remand under § 1367(c) "cannot be 'colorably characterized' as being based on lack of subject matter jurisdiction under § 1447(d). See

[5] *California Dept. of Water Resources v. Powerex, Inc.*, 533 F.3d 1087 (9th Cir. 2008); see also *Bates v. Missouri & Northern Arkansas Railroad Co.*, 548 F.3d 634, 636 & n.2 (8th Cir. 2008) (another post-*Powerex* decision declining to follow the Federal Circuit' and adhering to the Eighth Circuit's precedent that a remand based on a refusal to exercise supplemental jurisdiction under § 1367(c) is not based on a determination that the district court lacked subject matter jurisdiction).

2009 WL 22876, at *3. For the reasons stated herein, this Court should reach that same conclusion and reverse the Federal Circuit.

Brookshire further undermines Respondents' misplaced assertion that it will be "extremely rare" that district courts will abuse their discretion in ordering remands. Given that the federal claim in *Brookshire* was dismissed on the eve of trial after almost four years of litigation, and after rulings on 41 dispositive motions, the Fifth Circuit held that the district court abused its discretion by remanding the remaining state claims after having already expended a significant amount of judicial resources and in the face of a significant risk that the plaintiff would attempt in state court to relitigate the rulings that the federal district court had already entered against it. See 2009 WL 22876, at *4-6.

The Fifth Circuit in *Brookshire* also cited at least two other decisions in that circuit where a similar abuse of discretion in remanding to state court had been discerned, and several other instances where a district court had not abused its discretion in failing to remand after the federal claims providing the basis for removal had been eliminated. 2009 WL 22876, at *4-5. However, regardless of whether those individual decisions were correct, they demonstrate that appellate review of discretionary remand decisions is both warranted and beneficial. Respondents' policy assertions thus provide no reason to expand the scope of Congress's bar to appellate review or to reverse this Court's settled precedent to reach a result unwarranted by the current versions of the statutes.

3. Respondents' Suggestion That There Is No Exclusively Federal Claim At Issue Is Both Premature And Misleading

Respondents assert that the "central" holding of *Thermtron*, *i.e.*, that a federal court's original jurisdiction cannot be abdicated by remand, would not be compromised by an expanded reading of the appellate review bar in § 1447(d). Resp. Br. 44. While this Court will not review the merits, CTI's appeal shows otherwise. CTI asserted that the district court erred by remanding Respondents' claims that were actually within the exclusive jurisdiction of the federal courts; *i.e.*, in remanding claims that a state court did not have jurisdiction to hear. See CTI Br. 51-52 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988)).

Petitioner explained the inherent abuse of discretion in remanding exclusive federal claims to state court. CTI Br. 52. Indeed, Respondents agree that federal courts should not remand cases within their "original" jurisdiction, and it is an abuse of discretion to remand a case involving an exclusively federal question. *See* Op. 19, 44 & n.43 (and cases cited). But according to Respondents, district courts will not regularly remand exclusively federal claims to state court so appellate review of discretionary remands is not needed. Of course, that policy choice is for Congress, and this Court has already determined that the existing statutory language allows discretionary remands under § 1367(c)(3) to be reviewed because they are not based on lack of subject-matter jurisdiction or any other "defect."

Here, the district court did not remand this case because the court believed that it lacked subject matter jurisdiction, it remanded the case because the court incorrectly assumed or concluded that Respondents' remaining non-RICO claims arose under state law and that the state court would also have subject matter jurisdiction. See CTI Br. 55-56. The district court's analysis did not indicate or even suggest that it lacked subject-matter jurisdiction over the remanded claims. Instead, the court merely exercised its discretion to remand the remaining non-RICO claims under the assumption that the state court would also have jurisdiction to resolve them. A federal court's decision that its subject-matter jurisdiction is not exclusive but is merely concurrent with the state courts cannot be deemed to have resulted in a remand that is based on *lack* of subject-matter jurisdiction.

Finally, Respondents try to denigrate Petitioner's position on grounds that CTI merely desires to have a federal forum in which to assert a "defense" that "tangentially" raises a federal issue. Resp. Br. 45. That is untrue. Petitioner has never relied on any of its own possible defenses as its basis for asserting that the district court had exclusive jurisdiction over any remanded claims. Instead, Petitioner's assertions on appeal were properly based solely on Respondents' own asserted causes of action, not any potential defenses to them.

Respondents have no basis for asserting that "federal question jurisdiction ... is admittedly lacking in this case." Resp. Br. 45. The disputed existence of exclusive federal jurisdiction under the patent laws

with respect to each of Respondents' remaining causes of action is the central premise of CTI's underlying appeal. For the reasons stated herein, that appeal should have been addressed on the merits by the Federal Circuit.

CONCLUSION

The Federal Circuit's decision dismissing CTI's appeal should be reversed and the case remanded for further proceedings in that court.

Respectfully submitted.

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